

LOK SABHA

JOINT COMMITTEE
ON
THE LIFE INSURANCE CORPORATIONS
BILL, 1983

EVIDENCE



LOK SABHA SECRETARIAT
NEW DELHI

August 1984/Sharada 1906 (Saka)
Price Rs. 15.00

LOK SABHA SECRETARIAT

Corrigenda

to

the record of evidence tendered before the
Joint Committee on the Life Insurance
Corporations Bill, 1983

Page V, line 14 from bottom: for 'Farooqi' read
'Farooqui'

Page 1, line 8 from bottom: for "WITNESSED"
read "WITNESSES"

Page 2, Col. 1, line 20 from bottom: for 'seals'
read 'seats'

Page 7, Col. 2: (i) line 16, for 'दे' read 'दे'

(ii) line 12 from bottom, for 'of' read 'or'

Page 11, Col. 1, line 8, for 'ltry' read 'try'

Page 12, Col. 1, (i) line 22 from bottom: for 'thhen'
read 'then';

(ii) line 10 from bottom, for 'the' read 'they'

Col. 2, line 2 from bottom, for 'zranches'
read 'branches'

Page 13, Col. 1, line 20, for 'tions' read
'corporations'

Page 14, Col. 2, (i) line 19, for 'tage' read 'stage'

(ii) line 12 from bottom, for 'Womes'
read "Women's"

Page 15, Col. 1, line 25, for 'taiking' read 'talking'

Col. 2, line 10, for 'into' read 'in toto'

Page 16, Col. 2, line 14, for 'entirely' read 'entirety'

Page 18, col. 1, line 13, for 'Th' read 'The'

Page 25, Col. 2, line 13 from bottom: for 'Diviions'
read 'divisions'

Page 26, Col. 1, line 20 from bottom: for
'extrraneous' read 'extraneous'

Page 27, Col. 1, lines 22-23: for 'impronement'
read 'improvement'

(p. t. o.)

- Page 31, Col.2, lines 13-14 from bottom: for 'expeted'
read 'expected'
- Page 41, Col.2, line 16, omit 'a'
- Page 43, Col.2, lines 21-22 from bottom: for
 'unhealthey' read 'unhealthy'
- Page 46, line 1: for 'M.G.' read 'N.G.'
- Page 51, Col.1, line 19, for 'fo' read 'of'
- Page 53, Col.2, line 14 from bottom: for 'MOHNATY'
read 'MOHANTY'
- Page 60, Col.1, lines 21-33 (Mr. Chairman:.....
Members of Parliament) be inserted after
 last line.
- Page 61, Col.1, line 22: for 'OGENDRA' read
 'JOGENDRA'
- Page 63, Col.1, line 5 from bottom: for 'मिल'
read 'बिल'
- Col.2, last line: for '5' read '3'
- Page 64, Col.1, line 11 from bottom: for 'पैसे'
read 'ऐसे'
- Page 65, Col.2(i) line 13 from bottom:
for 'दिलीप सिंह चूरिया' read 'दिलीप सिंह भूरिया'
- Page 65, Col.2(ii) Line 8 from bottom for 'नए' read 'गये'
- Page 80, Col.1, line 13 from bottom: for 'covered'
read 'covers'
- Page 85, Col.1, line 1: for 'year' read 'your'
- Page 86, Col.1, line 17 from bottom: for 'Welafer'
read 'Welfare'
- Page 92, Col.2, line 6 from bottom: for 'आई एल सी'
read 'एल आई सी'
- Page 101, Col.2, line 29, omit 'the'
- Page 107, Col.1, line 17: for 'Iit' read 'It'
- Col.2, line 22: for 'proority' read 'priority'
- Page 112, Col.1, line 18 for 'stid' read 'said'
- Page 117, Col.2, line 2: after 'must' insert 'be'
- Page 127, Col.2, for 'there there' read 'that there'

Page 130, Col.1: (i) line 17 for 'LARRIWALA'
read 'DARUWALA'

(ii) line 20: for 'contrap' read 'contrary'

Page 130, Col.2: lines 1 and 7: for 'DARRIWALA'
read 'DARUWALA'

Page 133, Col.1, line 6 from bottom: omit 'in'
 Col.2, line 13 from bottom: for 'Links'
read 'Linked'

Page 134, Col.2, line 8: for 'relief given'
read 'relief is given'

Page 136, Col.2, line 13: for 'relates' read 'rebates'

Page 138, Col.1, line 22: for 'one more' read 'one'

Page 162, Col.2: (i) line 2 : for 'all that' read
 'all those'

(ii) line 15: for 'from' read 'for'

Page 167, Col.2: (i) line 20, for 'given' read 'giving'
 (ii) line 27: omit 'ed'

(iii) line 8 from bottom, for 'rlural' read 'rural'

Page 168, Col.1: (i) line 6 from bottom, for 'they'
read 'the'

(ii) line 2 from bottom, for 'phneomenon'
read 'phenomenon'

Page 169, Col.2, line 14 from bottom: for 'hwether'
read 'whether'

Page 175, Col.2, last line: for 'Tribuna' read
 'Tribunal'

Page 199, Col.1, line 19 from bottom: for 'tht' read
 'the'

Page 200, Col.1, line 31: for 'being' read 'bring'

Page 215, Col.1: (i) line 21 from bottom: for 'pou'
read 'you'

(ii) line 19 from bottom: omit 'is'

Col.2, line 15, for 'as' read 'has'

Page 216, Col.1, line 5 from bottom: for 'your'
read 'the'

Page 221, Col.2, (i) line 19 from bottom: for 'them'
read 'then'; (ii) line 8 from bottom: after 'whole'
insert 'I'

- Page 219, Col. 1, line 2 from bottom: for 'when' read 'whom'
- Page 225, Col. 2, line 8: for 'as' read 'at'
- Page 226, Col. 1, line 11: for 'is' read 'are'
- Page 229, Col. 2, for line 12 read 'MR. CHAIRMAN:
You can go to the'
- Page 230, Col. 2: (i) line 4, for 'party' read 'partly'
(ii) line 16: for 'pay' read 'say'
- Page 232, Col. 2, line 26: insert 'into' after 'enter'
- Page 234, Col. 2, line 3 from bottom: for 'the'
read 'then'
- Page 242, Col. 1: (i) line 9: for 'the' read 'This'
(ii) line 8 from bottom: for '5 and units'
read '5 units'
- Page 249, Col. 2, line 12: for 'verses' read 'versus'
- Page 250, Col. 1, line 22: for 'ould' read 'would'
- Col. 2, line 18: omit 'in such'
- Page 253, Col. 2, line 4 from bottom: for 'better'
read 'letter'
- Page 254, Col. 1, line 31: for 'increase' read 'increased'
- Page 256, Col. 2, line 13 from bottom: for 'sulitting'
read 'splitting'
- Page 257, Col. 1, line 9 from bottom: for 'fine'
read 'five'
- Col. 2, line 16: for 'non-comperative' read
'non-competitive'
- Page 258, Col. 1, line 15 from bottom: for 'got' read
'get'
- Page 266, Col. 2, line 22: omit 'nion'
- Page 270, Col. 2, line 17 from bottom: for 'ras' read 'has'
- Page 276, Col. 2, line 13: for 'OIC' read 'LIC'
- Page 279, Col. 2, line 3: after 'it' insert 'is'
- Page 281, line 16: for 'Hatvarsinh Solomki'
read 'Natvarsinh Solonki'
- Page 285, Col. 2, lines 15-16: for 'deiegation' read
'delegation'
- Page 292; Col. 1, line 9 from bottom: after 'is' insert
'liable';
- Col. 2: line 16: after 'policy' insert 'holders'

- Page 305, Col.2, (i) line 20 from bottom: for 'RANJAN'
read 'RAJAN'; (ii) line 14 from bottom; omit 'be'
- Page 306, Col.1, lines 3-4: for 'healthey' read 'healthy'
- Page 307, Col.1, line 7 from bottom: after 'have'
insert 'to'
- Page 308, Col.1, line 3: for 'invest' read 'investing'
 Col.2, line 29: for 'on' read 'no'
- Page 311, Col.1, line 12 from bottom: for 'except'
read 'expect'
- Page 315, Col.2, line 7: omit 'a'
- Page 317, Col.2, line 27: for 'handing' read 'handling'
- Page 319, Col.1, line 12: for 'om' read 'am'
- Page 321, line 9 from bottom: omit '(Investment)'
- Page 322, line 4, for 'oBse' read 'Bose'
- Page 324, Col.2, line 5 from bottom: for 'recentrali-
 sation' read 'decentralisation'
- Page 325, Col.1, line 10, for 'part' read 'put'
- Page 326, Col.2, line 3 from bottom: for 'BRAJ' read
 'BRAJA'
- Page 327, Col.2; (i) line 14: for 'fee' read 'feel'
 (ii) line 26, for 'jurney' read 'journey'
- Page 328, Col.2, line 2 from bottom: for 'ककई' read 'कई'
- Page 331, Col.1, line 15 from bottom: for 'yet' read 'get'
- Page 332, Col.1, line 11 from bottom: for 'decline'
read 'declined'
- Col.2, line 27; omit 'about'
- Page 338; (i) line 4: for 'Roof' read 'Room'
 ^ (ii) after line 6 from bottom insert 'Central Zone
 Insurance Employees Federation, Kanpur'
- Page 339, Col.1; (i) line 4: for 'Speakr' read 'Speaker'
 (ii) line 12: for 'Membees' read 'Members'
- Page 340, Col.1, line 11: for 'away' read 'way'
- Page 341, Col.2, line 13: for 'ohr' read 'our'
- Page 342, Col.2: for line 1 read 'SHRI VITHALRAO
 MADHAVRAO'
- Page 344, Col.1, line 4 from bottom: for 'जी' read 'श्री'

- Page 345, Col.1; (i) line 3: for 'must to go' read 'must go' ; (ii) line 9: for 'theh' read 'the'
- Page 346, Col.2, line 9: for 'importarnt' read 'important'
- Page 348, Col.1, line 28: after 'Committee' insert 'within'
- Page 355, Col.1, line 23: for 'rats' read 'rates' ;
Col.2, line 27: for 'Spokesma' read 'Spokesman'
- Page 356, Col.1; (i) line 17, for 'is' read 'are' ;
(ii) line 20, for 'mechaism' read 'mechanism'
- Page 358, Col.1, line 11 from bottom: for 'ar' read 'are'
- Page 360, Col.1, line 25, after 'or' insert 'any'
- Page 363, Col.1, last line: (i) for 'superfiulous' read 'superflous' ; (ii) for 'most' read 'must'
- Col.2: (i) line 11 from bottom, (a) for 'Vacum' read 'Vacuum' ; (b) for 'ask' read 'asked'
- (ii) line 7 from bottom: after 'of' insert 'North Zone'
- Page 366, line 26: for 'Mahanan' read 'Mahajan'

JOINT COMMITTEE ON THE LIFE INSURANCE CORPORATIONS BILL, 1983

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**JOINT COMMITTEE ON THE LIFE INSURANCE CORPORATIONS
BILL, 1983**

COMPOSITION OF THE COMMITTEE

Shri Mool Chand Daga—Chairman

MEMBERS

Lok Sabha

2. Shri Satish Agarwal
3. Shri M. Arunachalam
4. Shri Dileep Singh Bhuria
5. Shri Nurul Islam
6. Shri Bhiku Ram Jain
7. Shri Kamal Nath Jha
8. Shri Ghayoor Ali Khan
9. Shri Sunil Maitra
10. Shri K. Mallanna
- *11. Shrimati Kailash Pati
12. Shri Braja Mohan Mohanty
13. Shri Kusuma Krishna Murthy
14. Shri Ram Pyare Panika
- ¶15. Shri Bapusaheb Parulekar
16. Shri Janardhana Poojary
17. Shri Ram Lal Rahi
18. Shri K. A. Rajan
19. Shri M. S. K. Sathiyendran
20. Shri Natvarsinh Solanki

Rajya Sabha

21. Shri Lal K. Advani
22. Shri Nand Kishore Bhatt
23. Shri Vithalrao Madhavrao Jadhav
24. Shri Akshay Panda
25. Shri Sudhakar Pandey
- %26. Dr. Shanti G. Patel
27. Shri R. Ramakrishnan
28. Shri Sukomal Sen
- £29. Shri Rameshwar Thakur
30. Shri Pranab Mukherjee

SECRETARIAT

1. Shri D. C. Pandey—*Joint Secretary*
2. Shri N. N. Mehra—*Joint Secretary*
3. Shri S. P. Gupta—*Chief Personnel and Executive Officer*
4. Shri S. D. Kaura—*Chief Legislative Committee Officer*
5. Shri R. S. Mani—*Senior Legislative Committee Officer*

*Appointed w.e.f. 6.3.84 vice Shrimati Sukhbungs Kaur resigned.

@Appointed w.e.f. 27.4.84 vice Shri Ratansinh Rajda resigned.

%Appointed w.e.f. 2.5.84 vice Shri Era Sezhiyan resigned.

£Appointed w.e.f. 2.5.84 vice Shri B. Ibrahim retired.

**REPRESENTATIVES OF THE MINISTRY OF FINANCE (DEPTT. OF ECONOMIC AFFAIRS)
(INSURANCE DIVISION)**

1. Shri H. M. S. Bhatnagar—*Additional Secretary*
2. Shri R. K. Mahajan—*Controller of Insurance*
3. Shri S. K. Purkayastha—*Director (Insurance)*
4. Shri S. D. Raheja—*Under Secretary*
5. Shri A. S. Gupta—*Current-in-charge and Managing Director (LIC)*
6. Shri S. G. Subrahmanyam—*Managing Director*

**REPRESENTATIVES OF THE MINISTRY OF LAW, JUSTICE AND COMPANY AFFAIRS
(LEGISLATIVE DEPARTMENT)**

1. Shri S. K. Maitra—*Consultant*
2. Shri Jagdishwar Narain—*Deputy Legislative Counsel*

JOINT COMMITTEE ON THE LIFE INSURANCE CORPORATIONS BILL, 1983

List of Witnesses Examined

Sl. No.	Name of Organisation/Association/Individual etc.	Date of evidence	Page No.
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NEW DELHI			
1	Life Insurance Corporation Employees' Union, New Delhi	21-3-1984	2
	<i>Spokesmen :</i>		
	1. Shri H.S. Sahni, President		
	2. Shri V.P. Anand, General Secretary.		
	3. Shri M.R. Kapur, Joint Secretary.		
2	Janwadi Mahila Samity, New Delhi	21-3-1984	12
	<i>Spokesmen :</i>		
	1. Shrimati Ranjana Nirula, Vice-President.		
	2. Shrimati Rita Karat, General Secretary.		
	3. Shrimati Indu Agnihotri, Member.		
3	National Federation of Indian Women, New Delhi	21-3-1984	17
	<i>Spokesmen :</i>		
	1. Shrimati Vimla Farooqi, General Secretary.		
	2. Shrimati Maya Lahiri, Member.		
4	Prof. Ishwar Dayal, International Management Institute, New Delhi.	22-3-1984	22
5	Shri M.M. Ahuja, Direct Agent, Life Insurance Corporation of India, New Delhi.	22-3-1984	35
6	Reserve Bank Employees' Association, New Delhi	22-3-1984	45
	<i>Spokesmen :</i>		
	1. Shri Harish Sharma, Secretary		
	2. Shri Ghander Shekhar.		
	3. Shri M.L. Malkotia		

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7	All India National Life Insurance Employees' Federation, New Delhi.	10-4-1984	46
	<i>Spokesmen :</i>		
	1. Shri N. Ghakravorty, General Secretary.		
	2. Shri V.K. Sharma.		
8	All India N.G. Audit and Accounts Association, New Delhi	10-4-1984	52
	<i>Spokesman :</i>		
	Shri S.K. Vyas, President.		
9	Democratic Youth Federation of India, New Delhi	11-4-1984	57
	<i>Spokesmen :</i>		
	1. Shri Hannan Mollah, M.P. General Secretary.		
	2. Shri M.A. Baby, Joint Secretary.		
10	Electricity Employees' Federation of India, New Delhi	11-4-1984	60
	<i>Spokesmen :</i>		
	1. Shri Jogendra Sharma		
	2. Shri Jagdish Chand.		
	AHMEDABAD		
11	Government of Gujarat, Gandhinagar	16-5-1984	68
	<i>Spokesmen :</i>		
	1. Shri Arun Sinha, Secretary (Expenditure)		
	2. Shri L. Man Singh, Director of Institutional Finance.		
	3. Shri K.K. Baxi, Director (Bureau of Public Enterprises)		
	4. Shri G.P. Sampat, Director (Budgetary Resources).		
	5. Shri R.M. Doctor, Director of Insurance.		
12	(a) Consumer Education and Research Centre, Ahmedabad	16-5-1984	77
	<i>Spokesmen :</i>		
	1. Shri Manubhai Shah, Managing Trustee.		
	2. Shri I.R. Oza,		
	3. Ms. U. Dharmadhikari		
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	<i>Spokesman :</i>		
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	<i>Spokesmen :</i>		
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	2. Shri Daya Shanker Vidyarthi		
	3. Shri Amrut Lal Ghunilal Raval		
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14	All India LIC Employees Federation, Bombay	18-5-1984	94
	<i>Spokesmen :</i>		
	1. Shri P.P. Patil, General Secretary.		
	2. Shri A.V. Nachane, Joint Secretary.		
	3. Shri Pradip Ranjan Paul		
15	Government of Maharashtra, Finance Department, Bombay	18-5-1984	102
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	1. Shri J.D. Jadhav— Secretary, Rural Development Deptt.		
	2. Shri A.B. Palekar— Secretary, Finance		
	3. Shri R. H. Kumavat—Deputy Secretary		
	4. Shri V.B. Nane—Director of Insurance		
16	Shri J.R. Joshi, Ex-Chairman, LIC, Pune	18-5-1984	103
17	General Insurance Employees' All India Association, Bombay	18-5-1984	109
	<i>Spokesmen :</i>		
	1. Shri K.S.B. Pillai, General Secretary.		
	2. Shri J.G. Kothare		
	3. Shri P.P. Ravindranathan		
	4. Shri K.S. Samant		
	5. Shri V.R. Deshpande		
	6. Shri M.S. Upadhyay		
18	National Organisation of Insurance Workers, Bombay	18-5-84	110
	<i>Spokesmen :</i>		
	1. Shri S.D. Kulkarni, Vice President		
	2. Shri B.S. Dogra, General Secretary.		
	3. Shri M.S. Moghe, Organising Secretary.		

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19	All India SQ/ST. Neo Buddhist LIC Employees, Bombay	18-5-1984	115
	<i>Spokesmen :</i>		
	1. Shri V.K. Pagare, President		
	2. Shri J. R. Jayant, General Secretary		
	3. Shri S.N. Thakur, Ex. Comm. Member		
	4. Shri K.K. Turkane, Office-Secretary		
	5. Shri N.P. Meshram, Auditor.		
20	Shri Mohan Dharia, Vijaynagar, Poona]	19-5-1984	119
21	Actuarial Society of India, Bombay	19-5-1984	126
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	1. Shri V.H. Vora.		
	2. Shri R.M. Mehta		
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22	All India Confederation of Bank Officers' Organisation, Bombay.	19-5-1984	131
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	1. Shri L.V. Subramanian		
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23	Retired Insurance Officers Association, Bombay	19-5-1984	136
	1. Shri S.N. Vaidya		
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24	Bombay Chamber of Commerce and Industry	19-5-1984	140
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	1. Shri P.J. M. Pankar		
	2. Shri B.P. Gunaji		
	3. Shri Uday Khanna		
	4. Shri G.M. Manian		
	5. Shri G.S. Shah		
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	7. Shri K.D. Patel		
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25	All India Life & Insurance Employees Association, Bombay	19-5-1984	141
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	2. Shri R. D. D' Souza		
	3. Shri G.R. Kurtarkar		

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26	Life Insurance Employees' Congress (WZ), Rajkot	19-5-1984	142
	<i>Spokesmen :</i>		
	1. Shri Madhusudan Sawant, General Secretary.		
	2. Shri M.G. Gohil, Joint Secretary.		
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27	Shri M. Abubaker, Mayor, Corporation of Trivandrum	22-5-1984	143
28	Dr. Jacob Eapen, Syndicate Member University of Kerala, Trivandrum.	22-5-1984	146
29.	National Life Insurance Employees' Association, Kozhikode	22-5-1984	150
	<i>Spokesmen :</i>		
	1. Shri K. Anandan Nair.		
	2. Shri A. Bhagvatheeswaran.		
30	Government of Kerala, Trivandrum	23-5-1984	158
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	1. Shri M.P. Ramakrishnan Nair, Director of Insurance Deptt.		
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31	Federation of the Life Insurance Corporation of India Class I Officers Association, Calicut	23-5-1984	160
	<i>Spokesmen :</i>		
	1. Shri G.N. Sridharan, General Secretary.		
	2. Shri Dharmendra Kumar.		
	3. Shri R. Rajagopalan.		
32	National Life Insurance Employees' Association Trivandrum	23-5-1984	172
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	1. Shri V. Indusekharan Nair, Working President.		
	2. Shri K. Gopalakrishnan Nanpiar.		
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33	Madras Institute of Development Studies, Madras	24-5-1984	183
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	1. Dr. K. Nagaraj.		
	2. Shri K. Bharathan.		
	3. Shri V.K. Ramachandran.		

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	1. Shri N.M. Sundaram, General Secretary		
	2. Shri S. Rajappa, Joint Secretary		
	3. Shri T. Rajarao, Joint Secretary		
35	Shri A. Ramachandran, Barrister-at-Law Row and Reddy Advocate, Madras.	24-5-1984	
36	Centre of Indian Trade Unions, Tamil Nadu State Committee, Madras	25-5-1984	208
	<i>Spokesman :</i>		
	Shri V.P. Ghintan Vice-President		
37	The Hindu, Madras	25-5-1985	216
	<i>Spokesman :</i>		
	Shri N. Ram, Associate Editor		
38	Insurance Corporation Employees Union, Madras:	25-5-1984	225
	<i>Spokesmen :</i>		
	1. Shri K. Natarajan.		
	2. Shri A.V. Venkataraman.		
	3. Shri K. Chandru.		
39	Consult ative Committee of the City Chambers of Commerce, Madras	25-5-1984	231
	<i>Spokesmen :</i>		
	1. Shri G.D. Vidyasankar		
	2. Shri V. Soundarajan		
	3. Shri T.G. Krishnamurthy		
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	1. Shri K.O. Thomas		
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	1. Dr. Raj Bahadur Gour, Secretary.		
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42	Shri J. Matthan, Ex-Chairman, LIC	12-6-1984	249
43	All India Scheduled Castes, Scheduled Tribes and Neo-Buddhists' L.I.C. Employees' Association, Madras	12-6-1984	259
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	1. Shri P. Kadirvelu, Vice-President.		
	2. Shri S. Sundararaj, Joint Secretary.		
	3. Shri A. Thirumalaisamy, Organising Secretary.		
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45	Insurance Corporation Employees' Congress, Hyderabad	13-6-1984	275
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	1. Shri K.V. Appa Rao, Working Committee Member.		
	2. Ch. Subba Rao, General Secretary.		
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46	All India National Insurance Officers Congress, Calcutta	14-6-1984	282
	<i>Spokesmen :</i>		
	1. Shri K.K. Banerjee		
	2. Shri A.K. Ghakraborty		
	3. Shri J.J. Santra, General Secretary.		
47	Eastern Zone Insurance Employees' Association, Calcutta	14-6-1984	292
	<i>Spokesmen :</i>		
	1. Shri Ranjit Ghosh, President		
	2. Shri Shanti Bhattacharjee, General Secretary		
	3. Shri Saradindu Bagchi, Committee Member.		

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48	Jatiya Jiban Bima Karmachari Samiti, Calcutta	14-6-1984	303
	<i>Spokesmen :</i>		
	1. Shri K.P. Ghakraborty, General Secretary.		
	2. Shri Bibhuti Bhusan Das		
	3. Shri Bibhuti Bhusan Basu		
	4. Shri Santosh Kumar Mukherjee.		
49	Life Insurance Agents' Federation of India, Calcutta	14-6-1984	309
	<i>Spokesmen :</i>		
	1. Shri K.L. Thukral, President.		
	2. Shri N.G. Chandak, Vice-President.		
	3. Shri A.K. Purkayastha, Secretary General		
	4. Shri M.R. Das, Member Secretary.		
	5. Shri R.N. Malhotra, Member.		
	6. Shri A. Pal, Member		
50	Peerless Employees' Union, Calcutta.	15-6-1984	322
	<i>Spokesmen :</i>		
	1. Shri Jahor Lal Mookherjee.		
	2. Shri Shyamal Dutta Gupta, Secretary.		
	3. Shri S.N. Bhowmik, Vice-President.		
51	All India Insurance Employees' Association, Calcutta.	15-6-1984	322
	<i>Spokesmen :</i>		
	1. Shri Ghand crasckhar Bosc, President.		
	2. Shri B.S. Sharma, Vice-President.		
	3. Shri Saroj Chaudhuri, General Secretary.		
52	United Movement of Workers, Employees and Teachers, West Bengal, Calcutta	15-6-1984	333
	<i>Spokesmen :</i>		
	1. Shri Bhabatoah Roy, Working Committee Member.		
	2. Shri Barada Bhattacharya, Working Committee Member.		
53	Shri Kalyan Dutt, Professor of Economics Calcutta	15-6-1984	334

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54	Central Zone Insurance Employees' Federation, Kanpur	6-7-1984	338
	Spokesmen :		
	Shri Ramji Ram, President.		
	2. Shri K.G. Tewari, General Secretary.		
	3. Shri R.M. Mishra, Joint Secretary.		
55	Shri Bhubaneswar Bhuyan, M.P.	7-7-1984	352
56	VOICE (Voluntary Organisation in Interest of Consumer Education), Delhi.	7-7-1984	355
	Spokesmen :		
	1. Dr. Sri Ram Khanna (Convener), Lecturer in Commerce, Delhi School of Economics.		
57	National Federation of Insurance Field Workers of India, Gwalior.	7-7-1984	360
	Spokesmen :		
	1. Shri M.M. Sadanan, Vice-President.		
	2. Shri P.S. Ahuja, Vice-President.		
	3. Shri K.N. Modawal, Resident Secretary.		
58	Life Insurance Corporation of India, Bombay.	16-7-1984	366
	Spokesmen :		
	1. Shri A.S. Gupta, Current-in-Charge and Managing Director.		
	2. Shri S.G. Subrahmanyam, Managing Director		
	3. Shri S. Hariharan, Executive Director		

**JOINT COMMITTEE ON THE LIFE INSURANCE CORPORATIONS
BILL, 1983**

**RECORD OF EVIDENCE TENDERED BEFORE THE JOINT COMMITTEE ON THE LIFE
INSURANCE CORPORATIONS BILL, 1983**

**Wednesday, 21 March, 1984 from 1500 to 1740 hrs. Room No. 53, First Floor,
Parliament House, New Delhi.**

PRESENT

Shri Mool Chand Daga—Chairman

MEMBERS

Lok Sabha

2. Shri Satish Agarwal
3. Shri M. Arunachalam
4. Shri Dileep Singh Bhuria
5. Shri Bhiku Ram Jain
6. Shri Ghayoor Ali Khan
7. Shri Sunil Maitra
8. Shri Kusuma Krishna Murthy
9. Shri Ram Pyare Panika

Rajya Sabha

10. Shri Lal K. Advani
11. Shri Nand Kishore Bhatt
12. Shri R. Ramakrishnan
13. Shri Sukomal Sen

SECRETARIAT

1. Shri S. P. Gupta—Chief Personnel and Executive Officer.
2. Shri R. S. Mani—Senior Legislative Committee Officer.

**REPRESENTATIVES OF THE MINISTRY OF FINANCE (DEPT. OF ECONOMIC AFFAIRS)
(INSURANCE DIVISION)**

1. Shri H. M. S. Bhatnagar—Additional Secretary.
2. Shri R. K. Mahajan—Controller of Insurance.
3. Shri S. K. Purkayastha—Director (Insurance).
4. Shri S. D. Raheja—Under Secretary.
5. Shri A. S. Gupta—Current-in-charge and Managing Director.
6. Shri Hariharan—Executive Director (Personnel).

**REPRESENTATIVES OF THE MINISTRY OF LAW, JUSTICE AND COMPANY AFFAIRS
(LEGISLATIVE DEPARTMENT)**

1. Shri S. K. Maitra—Consultant
2. Shri Jagdishwar Narain—Deputy Legislative Counsel.

WITNESSED EXAMINED

**I. Life Insurance Corporation Employees Union, (NZ) 11/H, Connaught Place,
.. Tropical Building, New Delhi-1.**

Spokesmen:

- (i) Shri H. S. Sahni,
President.
- (ii) Shri V. P. Anand,
General Secretary.

(iii) Shri M. R. Kapur,
Joint Secretary.

II. Janwadi Mahila Samity, 3 Vithalbai Patel House, Rafi Marg, New Delhi-1.
Spokesmen:

- (i) Shrimati Ranjana Nirula,
Vice-President.
- (ii) Shrimati Rita Karat,
General Secretary.
- (iii) Shrimati Indu Agnihotri,
Member.

**III. National Federation of Indian Women, 1002, Ansal Bhawan, 16 Kasturba
Gandhi Marg, New Delhi-1.**

Spokesmen:

- (i) Shrimati Vimla Farooqi,
General Secretary.
- (ii) Shrimati Maya Lahiri, Member

**I. Life Insurance Corporation Employees Union, (NZ) 11/H, Connaught
Place, Tropical Building, New
Delhi-1.**

Spokesmens

- (i) Shri V. P. Anand,
General Secretary.
- (ii) Shri H. S. Sahni,
President.
- (iii) Shri M. R. Kapur,
Joint Secretary.

*(The witnesses were called in and
they took their seals).*

MR. CHAIRMAN: Kindly introduce
yourself and your colleagues to this
Committee.

*(The witnesses introduced them-
selves to the Committee).*

MR. CHAIRMAN: Before you start
your evidence I would like to make
it clear to you that your evidence
shall be treated as public and is liable
to be published unless you specifically
desire that all or any part of the
evidence given by you is to be treated
as confidential.

I may also explain to you that even
though you might desire that your
evidence may be treated as confiden-
tial, such evidence is liable to be made
available to the Members of Parlia-
ment.

SHRI V. P. ANAND: Sir, I assure
you that I will maintain the dignity
of the House. You may deal it as
you deem fit.

MR. CHAIRMAN: Mr. Anand, you
have already submitted this memo-
randum. Have you thrown any light
on any clause of the Bill in it or you
have simply made some general
remarks?

SHRI V. P. ANAND: We have not
dealt with the clauses, but this is our
general view and understanding by
serving in the industry.

MR. CHAIRMAN: Have you said
anything about any of the clauses of
the Bill?

SHRI V. P. ANAND: I have only
touched clause 32 which provides for
tribunals and other committees as pro-
posed under the Bill.

MR. CHAIRMAN: Do you want to
say anything other than what you
have said in your memorandum?

SHRI V. P. ANAND: Nothing, Sir.

MR. CHAIRMAN: Do you agree
that the new set up envisaged in the
Bill will provide proper environment
for rapid growth of business and
satisfactory service to the policy-
holders?

SHRI V. P. ANAND: Yes, Sir.

MR. CHAIRMAN: Do you agree that the provisions made in the Bill giving to the new Corporations primary responsibility for the intensive development of life insurance business within their assigned zones will ensure wider spread of business, particularly in the rural areas?

SHRI V. P. ANAND: Yes, Sir.

MR. CHAIRMAN: You have stated in your memorandum 'the groupism at top management has jeopardised the growth of industries'. Please elaborate.

SHRI V. P. ANAND: It is a matter which is known from top to bottom and there is criticism. At Central Office many things are happening and those run upto the Branch Office. Whenever there is a matter of promotion or transfer, there are pulls and pushes. When we go to the regional or zonal level and if we seek intervention of one officer or the other in the settlement of grievances, the other officer gets annoyed saying that such and such officer was previously approached. It is better that you get it redressed through him, because that officer does not fall in his group.

MR. CHAIRMAN: Do you appreciate the idea of a tribunal.

SHRI V. P. ANAND: Yes, Sir.

MR. CHAIRMAN: What are your observations about promotion policy?

SHRI V. P. ANAND: There is no promotion policy. For the last one year some signs of promotion have started. De-centralisation has provided some avenues of promotion and the promotions which are in existence, they are a very few. They are not objective. They are subjective. We want that promotion policy should be liberalised as in the case of Class I officers. It should be automatic. When this system is introduced and people are given incentive, naturally everybody, keeping in view their status or position, would like to work in the rural branches.

MR. CHAIRMAN: What are your suggestions for dove-tailing promotion

policy to the growth of business particularly in the rural areas?

SHRI V. P. ANAND: There is stagnation all along. 50 per cent of the employees are retiring in their recruitment cadre. There is stagnation and there is no expansion. It is harmful for the policy-holders too.

MR. CHAIRMAN: You have mentioned in your memorandum about the Administrative Reforms Committee, etc.

SHRI V. P. ANAND: These are the extracts taken from the recommendations and Report of the Committee.

MR. CHAIRMAN: You have said that there appears to be lack of identification and a sense of belonging in the management of personnel at all levels.

SHRI V. P. ANAND: So far as the contact between management and employees is concerned, there is definitely a gap. Here, at the Zonal level, the Zonal Manager is hardly available for 2 or 3 days at the headquarters. You would be surprised to know that the agenda which I submitted in the month of June last year is yet to be discussed. It has not yet been acknowledged. He is either busy or on tour to Bombay where our Central office is located.

MR. CHAIRMAN: Do you totally agree with the statement of objects and reasons of this Bill?

SHRI V. P. ANAND: Yes, Sir.

MR. CHAIRMAN: What is your assessment of the quality of service rendered to the policyholders at present?

SHRI V. P. ANAND: It is not satisfactory. But after decentralisation, we see some signs of improvement. But once this competitive spirit is introduced at higher level since the policyholders services are linked with the registering of new business, we will expect business from the market. So, in the interest of growth of busi-

ness, policyholders' service is a must and most essential.

MR. CHAIRMAN: What steps do you suggest for the improvement of services to policyholders?

SHRI V. P. ANAND: It is by opening more branches and opening new sub-offices or branch offices in almost Tehsil level or Taluk level, and fixing up the limited number of policies to be serviced by each branch.

MR. CHAIRMAN: What is your experience regarding the industrial tribunals and courts in service matters?

SHRI V. P. ANAND: We welcome this concept. Now, what we find is we have certain cases from Varanasi and then from Kanpur and every time, people have to come down to Delhi for these cases. Lot of money is being spent for journey and time is also wasted in taking leave etc. If tribunals are set up, I think, these are to be set up naturally at prominent places. I think, the burden on the employees of LIC, in that case, would be diminished.

MR. CHAIRMAN: You have stated in your memorandum about the setting up of the tribunals as provided under Clause 32 of the Bill, for the redressal of grievances with respect to service matters. You are for it.

SHRI V. P. ANAND. Yes, we have definite evidence to show that the employees are unnecessarily harassed on one count or other; they are charge-sheeted and so on. Internal inquiry committees are constituted. What happens is this. If there is a quarrel between an employee and an ADM, in all fairness of justice, the inquiry officer should be above the level of the ADM. But in many cases we have found that the Administrative Officer who is a subordinate officer to the ADM is appointed to conduct the inquiry. So, under such circumstances, we do not expect that fair justice will be given to the employee.

Now, by opening the avenue of tribunals, we feel that justice will be done to the employees. If an employee wishes to go, crossing the channel of administrative set-up, to the tribunal—that is a welcome thing—we can expect more relief and fair justice from the tribunals for the employee concerned.

SHRI SUNIL MAITRA. In your memorandum, you have stated that the LIC management has been given a long rope and free hand to pursue its objectives, that is the objective of insurance and allied matters, and that even after 28 years of its existence, the rural business is not even 25 per cent of the total business. The rural business at the moment is very much less than 25 per cent.

SHRI V. P. ANAND. I have stated that it is not even 25 per cent.

SHRI SUNIL MAITRA. 25 per cent is in relation to the sum assured or the policies?

SHRI V. P. ANAND. The sum assured.

SHRI SUNIL MAITRA. The number of policies in the rural areas at the moment, according to the last year's Annual Report of the Corporation, is 32.09 per cent, as is evident from the accounts submitted by the LIC. Do you agree with that?

SHRI V. P. ANAND. Yes, Sir.

SHRI SUNIL MAITRA: So, to say that it is not even 25 per cent is not correct.

SHRI V. P. ANAND: My memorandum is based on the last year's figures.

MR. CHAIRMAN: Can you tell us what is the total number of policy holders in the country?

SHRI SUNIL MAITRA: It is 2 crores and 44 lakhs.

MR. CHAIRMAN: What is the number of policy holders who belong to the rural areas?

SHRI V. P. ANAND: Hardly a few lakhs.

SHRI SUNIL MAITRA: How do you come to this figure?

SHRI V. P. ANAND: We have a population of about 70 crores. There are people who have taken 10 to 12 insurance policies on a single name. Therefore, when we say that two crore people have taken insurance policies, it cannot be interpreted that two crore insurance policies are issued to different persons.

MR. CHAIRMAN: How many people have such policies?

SHRI V. P. ANAND: The number of insurance policies issued comes to two crores. But those insurance policies hardly cover one crore of people who are insured.

MR. CHAIRMAN: According to the statistics of Government, about 50 per cent of the people live below the poverty line. It is out of question for them to take insurance policies. The per capita income in our country is Rs. 1,800. If I go in for one insurance policy of Rs. 1,000/-, I have to pay Rs. 40/- PM. How many people do you think can afford in this country to go in for life insurance policies?

SHRI V. P. ANAND: In the Sixth Five Year Plan, our Government have allocated a good amount for the uplift of the rural people. The economic position of the rural people has improved with the increase in agricultural production. Now there is the possibility of the rural people going in for taking insurance policies. After all, insurance provides social security. The funds ultimately go to the individual, not to the Government.

MR. CHAIRMAN: LIC does not have its branches in 43 districts. In your memorandum, you have stated that there is no Branch Office in Nagaland. But I find that there are 2 Branches in Nagaland.

SHRI V. P. ANAND: Now there is small increase in the number of Branch Offices.

SHRI SUNIL MAITRA: In your memorandum, you have quoted Mr. Deshmukh, the former Minister of Finance, as having said in the Lok Sabha in 1956 when the LIC Bill came up for discussion:

"The idea of nationalisation is not new. It is evolved over the years. We feel, to start with, we should have only one autonomous Corporation.... and if it does not work satisfactorily, then it will be open to us to change over from this..."

Are you suggesting that the Life Insurance Corporation is not working satisfactorily and, therefore, the Government has come-up with this Bill to split the Life Insurance Corporation of India?

SHRI V. P. ANAND: Yes, Sir, but not upto expectations.

SHRI SUNIL MAITRA: If that be so, I invite your attention to the Statement of Objects and Reasons incorporated in the Bill itself where they say that since nationalisation, the Life Insurance Corporation has a fairly impressive record of extending insurance service to the community. But your observation is that the functioning of the LIC has not been satisfactory. Is that correct? Have you any comment to make on what has been stated in the Statement of Objects and Reasons incorporated in the Bill itself?

SHRI V. P. ANAND: We see that every day there are increasing complaints from policyholders. So far as competition is concerned, that is also not present in the present structure. Then there are administrative lapses like lack of direct contact. I may also point out for the information of the Committee that our organization is totally ignoring the national programmes, whether it is family planning or incentive to disabled persons or any call, for that matter, given by the Government from time to time. When they are not getting time to enforce such programmes, it means that they do not have time to think

about the industry. In our organization, there is no sports programme.

SHRI SUNIL MAITRA: The observation made in your memorandum and the observation made by the Government in the Statement of Objects and Reasons incorporated in the Bill itself are not supplementary or complementary, but contradictory. This is what I want to point out.

SHRI BHIKU RAM JAIN: It has been said that the claims are not settled expeditiously, and many claimants have to go to court which process takes a long time. What is it due to?

SHRI V. P. ANAND: We suggest that, to settle the claims, the procedure should be made easier and simpler. In certain cases when the claimant has to go to court after it has been rejected by the Corporation, no social justice is given; social justice is denied to the man who all along contributes to life insurance from his hard-earned money. If the procedure is made easier and simpler, then I think we can overcome this problem.

SHRI BHIKU RAM JAIN: Do you mean to say that this is because of the monopolistic tendency of the LIC?

SHRI V. P. ANAND: So far competition is at a very low level and if I say it is totally absent, that would be correct. And if that competitive spirit is created amongst the Chairmen of five autonomous bodies, I think that will be good.

SHRI BHIKU RAM JAIN: You said lethargy in settling these claims because of the monopoly if the LIC or is it for any other reason?

SHRI V. P. ANAND: That is what I am saying, we should make the procedure simple.

MR. CHAIRMAN: Can you give me the number of death claims?

SHRI V. P. ANAND: I do not have the figures.

MR. CHAIRMAN: I can tell you, it is 75,174 and out of that 26,702 remain still outstanding.

SHRI BHIKU RAM JAIN: Apart from death claims, even the maturity claims remain pending. They are not paid in time and people have to approach the officers.

MR. CHAIRMAN: Maturity claims as already mentioned, their number is 8 lakhs.

श्री बिलीप सिंह बूरिया : कुछ लोग आप की पालिसी लेते हैं और फिर पैसा नहीं जमा करते हैं, तो ऐसी कितनी पालिसी लॉस होती है ?

श्री बी० पी० आनन्द : करीब 30 परसेंट लॉस हो जाती है ।

श्री बूरिया : आप ने कहा कि हम कमजोर लोगों की तरफ और गांवों की तरफ भी जा रहे हैं तो आप के यहां सर्विसेज में शैड्यूल्ड कास्ट एंड शैड्यूल्ड ट्राइब्स के लोग हैं ?

SHRI V. P. ANAND: Negligible.

श्री बूरिया : कितने परसेंट है ?

SHRI V. P. ANAND: The figures are available with LIC. We do not have that.

श्री बिलीप सिंह बूरिया : ऐसे कितने केसेज आप के यहां कितने सालों से पेंडिंग हैं जिन में जो लोग मर गए हैं उन के घर वालों को उन का पैसा नहीं मिला है ?

SHRI V. P. ANAND: The Corporation may have it; we do not have.

श्री बिलीप सिंह बूरिया : आप के यहां जो बहुत सारे अफसरों की पत्नियों को बांच एजेंट नियुक्त करते हैं कितने केसेज होंगे ?

श्री बी० पी० आनन्द : अब उन को नहीं नियुक्त किया जाता । पिछले दो साल से पैसा वहीं हो रहा है । पहले था ।

श्री विलीप सिंह भूरिया : पहले के आंकड़े आपके पास हैं ?

श्री बी० पी० आनन्द : जी नहीं ।

श्री विलीप सिंह भूरिया : पालिसी एजेंट नियुक्त करने के लिए कोई बैंक-बर्ब क्लास के लोगों के लिए रिजर्बेशन रखा है जो गावों में जा कर हरिजन और आदिवासी लोगों के बीच काम कर सके ?

श्री बी० पी० आनन्द : यह फंक्शन मैनेजमेंट का है । हम इम्प्रूवमेंट सजैस्ट करते हैं तो हमें डिस्कशन का मौका नहीं मिलता है । हम कितना भी कहें हमारी बात नहीं सुनी जाती । मैनेजमेंट ने अपने से कभी कोशिश नहीं की ।

श्री विलीप सिंह भूरिया : जैसे ग्रुप इन्शयोरेंस पालिसी है, ऐसी स्कीम एल० आई० सी० में है ?

श्री बी० पी० आनन्द : जी हां, है । लेकिन इस बारे में मैनेजमेंट ने कोई कदम ऐसा नहीं उठाया कि एक किसी क्लास या सेक्शन को इकट्ठा करके उन का ग्रुप इन्शयोरेंस करने की कोशिश करे ।

श्री विलीप सिंह भूरिया : अभी यह बिल आने के बाद बहुत सारी बातें छपी हैं जैसे कि आप के यहां के जो क्लास बन, टू या थ्री के आफिसर्स हैं उनके और दूसरे आफिसर्स के वेतन में—बहुत ज्यादा फर्क है । वह कितना फर्क है आप बता सकते हैं ?

श्री बी० पी० आनन्द : डिफरेंसेज हैं हमारे आफिसर्स और दूसरे आफिसर्स में ।

With due respect, I cannot conceal it; because you have put the question that they are less qualified; I have

to say that there are instances where an officer of the rank of Divisional Manager is an under-matric. But, he is supervising the M.A., M.Sc. and other highly qualified people.

जहां तक उन के पै फिक्सेशन का सवाल है, मेरे ह्याल में जो एल० आई० सी० के आफिसर्स हैं, उन की क्वालिफिकेशन और बैंकप्राउन्ड के मुकाबले में उन के वेतन और परफॉर्मिडेंस बगैरह सेंट्रल गवर्नमेंट के आफिसर्स से ज्यादा हैं । इस के अलावा एल० आई० सी० आफिसर्स के अधिकार भी ज्यादा हैं । दूसरी बात यह है कि हमारा कोई भी क्लास बन आफिसर गेजेटेड नहीं है । वह पब्लिक को कोई ऐसी सविस नहीं दू सकता है जो दूसरे दे सकते हैं ।

श्री विलीप सिंह भूरिया : लास्ट पे वाला आप के यहां चपरासी होगा या डाइबर होगा ।

श्री बी० पी० आनन्द : जी हां, चपरासी ।

श्री विलीप सिंह भूरिया : वह क्या इनकम टैक्स पे करता है ।

श्री बी० पी० आनन्द : क्लास फोर में प्यूअर, क्लॉनर्स, स्वीपर्स बगैरह आते हैं वह कोई इनकम टैक्स पे नहीं करते ।

MR. CHAIRMAN: Is it correct that the sweeper or cleaner gets Rs. 1,447/- ? Am I correct that at the beginning he gets Rs. 700/- as salary.

SHRI V. P. ANAND: Sir, the grades of Class IV employees start with a basic pay of Rs. 115 ending with Rs. 245/-.

SHRI N. K. BHATT: How much does it come to?

SHRI V. P. ANAND: It comes to Rs. 800 to 900 approx.

श्री विलीप सिंह मुरिया : बोनस का क्या परसेंटेज है ?

श्री वी० पी० आनन्द : बोनस 15 परसेंट विदिन नेशनल पैरामीटर्स है । 1600 से ज्यादा जिसकी पे थ्रोर डीवरनेस बर्गरह होता है उस को नहीं मिलता है ।

MR. CHAIRMAN: How much does the Cleaner gets at the start of his service?

SHRI V. P. ANAND: He gets Rs. 723/- at the beginning and he reaches the maximum in 20 years.

SHRI SEN: Mr. Anand, you have said that you are in-agreement with the aims and object of this bill.

SHRI V. P. ANAND: Yes Sir.

SHRI SEN: Please first tell what are the factors which are standing in the way of expansion of LIC?

SHRI V. P. ANAND: Our past experience shows that the present structure of LIC has become unmanageable by the present set-up. Unless it is split up into convenient units I don't think there will be further expansion.

SHRI SEN: What are the factors standing in the way of growth so that this Bill may try to remove those hurdles.

SHRI V. P. ANAND: I have already submitted groupism at the Central office is also a hurdle. They, therefore, do not apply their full time to growth. If the officers have frequent tours of the rural areas and massive publicity is undertaken then growth is possible.

SHRI BHATT: There are policy holders to the tune of 2.48 crores. I hope all these policies are running ones and not dead ones.

SHRI V. P. ANAND: These are the running policies.

SHRI BHATT: Do you want these five bodies to be autonomous ones so that there can be more competition?

SHRI V. P. ANAND: The concept of splitting up the entire industry into five units is practicable and we support it because there would be three tier administration as against the four tier administration at the moment. The efficiency will also grow.

SHRI N. K. BHATT: You said there is groupism. If you have 5 corporations, will groupism be eliminated?

SHRI V. P. ANAND: Yes. There will be an element of competition among the new corporations. The thrust of the competition would call upon the officers and they will have to avoid this groupism. It will help the growth of business.

SHRI N. K. BHATT: You said that it is now a monolithic thing. If there are 5 corporations will it help? You said, there is no involvement of employees in implementation of policies. How to make the insurance business more effective and purposeful? Have you got any concrete suggestions?

SHRI V. P. ANAND: Naturally we would like that concept of management participation should be introduced. Mutually we can decide. We have tried to talk to the management; but they have discouraged; they have also refused to talk on this saying that these are national issues, let the Government decided alone. That suitable atmosphere is to be created. If employees are allowed to participate in policy making it will go a long way in this respect.

SHRI N. K. BHATT: What is your reaction about introduction of computers in the Life Insurance? Will it effect the employment opportunity adversely?

SHRI V. P. ANAND: It is not going to effect it all.

श्री श्रीकृ. राम जैन : आप एल० आई० सी० में काम करते हैं, आप को अनुभव होगा वहाँ की कार्य-प्रणाली का। एक पालिसी होल्डर रुपया भेजता है प्रीमियम का लेकिन अपना पालिसी नम्बर भेजना भूल जाता है तो वह रुपया कहाँ जाता है?

श्री बी० पी० आनन्द : वह रुपया सर्वेस एकाउंट में जमा हो जाता है।

श्री श्रीकृ. राम जैन : वह पालिसी होल्डर के एकाउंट में कब जमा होता होगा?

श्री बी० पी० आनन्द : जब वह क्लेम करता है या चेक भ्रप करता है या सबसीक्वेंटली पालिसी नम्बर भेज देता है।

श्री श्रीकृ. राम जैन : वह तो पालिसी नम्बर लिखना भूल गया, उस को पता ही नहीं है कि उस ने नम्बर नहीं लिखा है।

श्री बी० पी० आनन्द : ऐसा है कि हमारा रेमिटेंस रजिस्टर होता है, उस में एंट्री होती है और जो बाहर से पैसा आता है—वह ज्यादातर चैक्स में होता है, तो उस के बैंक के जरिये उसे लोकेट करना बड़ा आसान होता है।

श्री श्रीकृ. राम जैन : आप ने सर्वेस एकाउंट में क्रेडिट कर दिया। मैं जानना चाहता हूँ कि उस के पश्चात् पालिसी होल्डर को उस रकम का क्रेडिट कब मिलेगा? मैं यह समझूँ कि उस की एक गलती की वजह से एल० आई० सी० मनाफा बना जाता है पाँच वर्ष के बाद क्या ऐसा कोई रास्ता नहीं है कि पालिसी होल्डर को यह सब्सिडी जाय कि तुम्हारी यह रकम नहीं आई है, यह उस को लिखा जाए?

श्री बी० पी० आनन्द : पालिसी होल्डर अगर पालिसी नम्बर भूल जाता है तो

उस का चिट्ठी पर ऐड्रेस तो होता ही है। जोकि वह बैंक के साथ भेजता है।

MR. CHAIRMAN: What about total unaccountable amount?

SHRI SAHNI: That figure is not available for the whole country. It is about 10 lakhs for Delhi division. This is transferred to revenue account after 5 years. It is returned back.

श्री श्रीकृ. राम जैन : धकेले दिल्ली में जब दस लाख रुपए क्रेडिट में पड़े हैं किसी पर्टीकुलर पीरियड के लिए तो पूरे देश में कितना होगा? इस के लिए आप की तरफ से कोई पता लगाने की कोशिश होनी चाहिए।

SHRI SAHNI: During these five years, offices have also been trying to locate the policy-holders. We write to the addressees available on the receipts and we try to contact the persons.

श्री बी० पी० आनन्द : मगर ऐसे केसेज में जिस में पालिसी होल्डर भी नहीं मिलता और ऐड्रेस भी नहीं है, उस का हमारे पास कोई इलाज नहीं है।

SHRI SUNIL MAITRA: In their Memorandum they say that persons from the cadre of Additional General Manager have limited knowledge of understanding and educational qualification. Now, one person after he became the Chairman, this Government had promoted him to the post of Governor of Reserve Bank of India. Do you consider him under-qualified?

SHRI V. P. ANAND: We have not referred about the persons you are thinking about.

SHRI SUNIL MAITRA: You have mentioned this in your memorandum. Do you consider that this man is under-qualified?

SHRI V. P. ANAND: By writing this I did not mean that I wanted to cast aspersion on anybody. My contention by writing this paragraph is that all these Chairmen were from the industry itself. The point of groupism started only when there was a Chairman from the industry. Otherwise, there was no criticism previously. There was a complete co-ordination and there was better result of the administration.

SHRI KUSUMA KRISHNA-MURTHY: Now, for the last 28 years, that is, after this business was taken over by the Government, the business has not exceeded 25 per cent or so. My friend here says that it is about 30 per cent or 32 per cent. But you must know that 80 per cent of our population live in the rural areas. Now some of the districts are totally neglected. Of course there is need for expansion by splitting up the Corporation. Do you mean to say that this would create social security in the rural areas?

SHRI V. P. ANAND: Yes, there would be a thrust of business and a sense of competition would be generated and naturally, we would go to the untapped areas, and that is the resource we want to utilise. By bringing more people under the cover of insurance, we can certainly provide them social security.

SHRI KUSUMA KRISHNA MURTHY: You said that by this you would have more promotional avenues. How?

SHRI V. P. ANAND: Expansion means opening of new branches. Naturally, there would be more staff and more opportunities for promotion etc.

SHRI SATISH AGARWAL: The growth of LIC has been primarily on account of two reasons; one, the monopoly of the LIC and two, the consciousness and awareness of the people at large to go in for insurance. The third reason is perhaps concessions available in income-tax. So far as the

procurement of business is concerned, who are the agencies in the field, who effectively do this work? This is not the Chairman, Divisional Manager or others. Are they the field officers, or the development officers?

One is the life insurance agent. The other is the development officer appointed by LIC on a whole-time basis. He is an employee of the LIC. Are there any other persons?

SHRI V. P. ANAND: No.

SHRI SATISH AGARWAL: The agent does not know as much as the development officer. The main information is with the development officer.

SHRI V. P. ANAND: To some extent, this is correct, but the role of the development officer is to train the agents.

SHRI SATISH AGARWAL: Has there been, at any point of time, any training camp organized by LIC for the training of agents?

SHRI V. P. ANAND: Yes; there is a regular training programme for the agents.

SHRI SATISH AGARWAL: Two years back, most of the agents were wives of Government employees and of LIC employees.

SHRI V. P. ANAND: I think Government is fully aware of the fact, as you have said, that the agents were the spouses of Government employees. Actually, the main force working behind them was the Government employees themselves.

SHRI SATISH AGARWAL: Effective contribution of the agents was practically negligible, two years back.

SHRI V. P. ANAND: I agree.

SHRI SATISH AGARWAL: So far as agents' contribution is concerned, are you aware of any circumstances wherein they rendered any service to the policy-holders after the first or second year? They get a sizeable per-

centage as commission in the first few years; and thereafter, they get 5 per cent throughout.

SHRI V. P. ANAND: We have two categories of agents; one is the career agents, and the other, the general part-time agents. Career agents will try to keep contact with the policy-holders, because it is their career. Part-time agents give service for 2 or 3 years, but, thereafter, the services are more or less rendered directly by the branches.

SHRI SATISH AGARWAL: Does the policy-holder in such a situation have an option to change his agent?

SHRI V. P. ANAND: I think, no.

SHRI SATISH AGARWAL: Is it justified? Suppose a particular agent does not render any service to the policy-holder, why should this be so?

SHRI V. P. ANAND: We are not a party to policy-making. But we agree with you that the policy-holder must have an option to change his agent, if the first agent does not serve him. This point, however, has not been considered by LIC.

SHRI SATISH AGARWAL: Can any person become a policy-holder directly from LIC office, without the interference of an agent?

SHRI V. P. ANAND: It is called direct business.

SHRI SATISH AGARWAL: In such direct cases, don't you think you should give at least 15 per cent commission to the man concerned in the LIC office, so as to attract more business? You were giving about 25 per cent to the agents as commission.

SHRI V. P. ANAND: Earlier, the LIC employees could also become agents. Previously there was a provision that LIC employees can also have an agency. I do not know what prompted LIC management to stop that. If that provision had been there, as

per your suggestion, these people would have benefited out of it.

SHRI SATISH AGARWAL: What is the ratio of the career agents and the part-time agents?

SHRI V. P. ANAND: I do not know. But roughly the career agents are not more than 10 per cent. 90 per cent of them are part-time agents.

SHRI SATISH AGARWAL: The premium rates in foreign countries are much less than yours. The period of policies is also much less than yours. Have you made any study that the premium rates and the period of the policies should be reduced?

SHRI V. P. ANAND: We do subscribe to this view that the premium rates are high and they need due consideration. But in view of the increase in bonus I think we are meeting the aspirations of the policy-holders.

SHRI SATISH AGARWAL: The Indian insurance companies abroad are not attracting much business because premium rates are high, red-tapeism is there, nepotism is there and the claims are not settled in time.

SHRI V. P. ANAND: Yes, it is there.

SHRI SATISH AGARWAL: So far as 1982 is concerned, what has been the total premium?

SHRI V. P. ANAND: I do not know.

SHRI SATISH AGARWAL: The LIC must have a business of more than Rs. 2000 crores, roughly. The premium income should have been round about Rs. 100 crores. The commission allowed to the agents should have been Rs. 25 crores. The commission payable to the agents is 33 per cent if we assume that certain policies elapse. It means that so far as that particular year is concerned, practically Rs. 8 crores are paid to the agents by way of commission and no benefit to the policy holders or to the LIC.

SHRI V. P. ANAND: That is correct to some extent.

SHRI SATISH AGARWAL: In those cases, has the LIC made any study with regard to those elapsed policies, because the same man is having a policy next year and having a commission of 25 per cent?

SHRI V. P. ANAND: Not to our knowledge.

SHRI SATISH AGARWAL: Are you aware of any agents who are generally indulging in such policies? They have some policies which lapse and again they issue more policies. Has any action been taken against such agents?

SHRI V. P. ANAND: If a policy lapses, unless and until the first policy is revived we do not extend their licence.

MR. CHAIRMAN: What is the position in the last four years?

SHRI SATISH AGARWAL: More information can be elicited only when the LIC officials come.

MR. CHAIRMAN: Thank you.

(The witnesses then withdrew).

II. Janwadi Mahila Samity, 3 Vithalbhai Patel House, Rafi Marg, New Delhi-1.

Spokesmen

- (i) Shrimati Ranjana Narula, Vice-President.
- (ii) Shrimati Rita Karat, General Secretary.
- (iii) Shrimati Indu Agnihotri, Member.

(The witnesses were called in and the took their seats)

MR. CHAIRMAN: Before you start, I may point out that in accordance with the provisions contained in Direction 58 of the Directions by the Speaker, your evidence shall be treated as public, and is liable to be published, unless you specifically desire that all or any part of the evidence given by you should be treated as

confidential. Even though you might desire your evidence to be treated as confidential, such evidence is liable to be made available to the Members of Parliament.

SHRIMATI RANJANA NARULA: I would like to emphasize some points. We, as women, are vitally concerned with this question of life insurance, because 90 per cent of the claims are death claims, which women get as widows of the deceased. Besides that, 15% of the employees in LIC are women, which is a fairly large number, about 6,000. So, obviously, the implications and effect of the proposed legislation are bound to have some impact on women.

We would like to limit the parameters of our deposition to the possible impact of this legislation, not only on the policy-holders and the employees of the Corporation, but also on the entire working or functioning of the Corporation.

We find it a little surprising that when this public sector corporation, for the last 27 years has given a good performance, Government seek to bring forth this legislation to split it up into five separate corporations. To the best of our knowledge, all the previous committees actually advised against the splitting up of the Corporation, except the last one. So, we are trying to find out the real intentions of the Government in bringing forward this legislation.

The main argument given by the Government is that the size of the Corporation has become unwieldy and unmanageable. Here we have to bear in mind that our population is about 70 crores and obviously, a public sector undertaking in a country of our size would have to be a large one. Besides that to give only one example from the banks, the State Bank of India has 8,859 branches and a clerical and supervisory staff of 1,58,000. The LIC on the other hand, has only 990 branches with a clerical, supervisory and subordinate staff of a

little over 48,000. So, we do not understand the rationale of LIC being split up, when the State Bank, which is much bigger, is allowed to continue to remain as a single unit.

The second argument given by the Government is that they want to improve the operational efficiency of the LIC. While the operational efficiency of the LIC may not be the ideal one, it is as good as it can be. LIC has been in existence for the last 27 years. At the end of December, 1957 the number of policies with the LIC was 54.17 lakhs, which has gone up to 244.42 lakhs by the end of 31st March, 1983. I do not think that we are doing too badly considering the performance of the other public sector firms.

It is stated that the employees are not functioning efficiently and the policy-holders are having a terrible time. The per capita output per employee, which was 276 policies in 1957, has gone up to 608 policies by 1983. If that is not efficiency, I do not know what efficiency means. Besides, I would like to point out that Government invested in 1966 Rs. 5 crores in LIC. By 1983 it has already recovered Rs. 136.12 crores. I do not think there are many public sector undertakings in the country with this rate of return.

SHRI SATISH AGARWAL: Not even one.

SHRIMATI RANJANA NARULA: Yes, not even one. Thank you.

I think complaints do come that the premium rates are high and so on. I think it is the Government policy which restricts payment of higher interest. In the current year the rate of interest is only 6 per cent. There are again certain things which affect the functioning of the LIC. For one thing the costs will go up by bifurcation. There are going to be Directors for all different units. Besides that, as the running costs of the Corporation go up, this will ultimately result in the

rise in the premium rates of the policy holders. Besides that, if it is split up into 5 different corporations, there is going to be a very unhealthy competition between the Corporations. You are very well aware that there is a regional imbalance in our country and certain areas in our country are backward. In the backward areas the business will be less. So, in those corporations which are located there, the running costs will be higher and they will be able to offer only lower bonus and they may get a higher premium from the policy holders. So, this uneven development will be accentuated gradually because the policy holders might try to go to the other zones for higher bonus etc. For instance, in the Central and the eastern sector, what is going to happen is that the corporations will go ultimately bankrupt and millions of policy holders will suffer as a result of that. For instance, take the General Insurance Company which was divided into 4 units. What happened then? Under the Act, the insurance premium on motor vehicles was 18 per cent in 1971, but it had gone up by 50 per cent more later. One point which is very vital for us is that at present the policy holders can take their claims to the court. With the new legislation, five claim tribunals will be set up and the claimants will have to pay Rs. 500 in order to appeal to them. If the claimant wishes to go to the appellate tribunal, he will again have to pay Rs. 500. The basic point is that the tribunals are going to be composed of LIC employees. Then what guarantee can the Government or the Corporation give us that they will get impartial justice? Recently there was the case of a widow whose claim was rejected by the LIC and in the High Court her claim was accepted. There was a comment in the Times of India at that time which stated very clearly that if there is a claims tribunal, the widow may have gone from pillar to post and would have got no justice at all.

SHRI SATISH AGARWAL: Do you have copies of such judgments in which her claim was rejected? We would like to see sample judgments.

SHRIMATI RANJANA NARULA: We will submit.

SHRI BHIKU RAM JAIN: Please let us know the time taken at the High Court level after the death of the husband.

SHRIMATI RANJANA NARULA: The splitting has no rural thrust. Banks are given three years to open a new branch. So far as LIC is concerned, in all probability, it will not open branch in any new areas unless profit from the business is ensured.

LIC employees have built up a very strong democratic organisation over the years. We, Jan Wadi, feel that by this legislation Government seeks to have total control on the wages and conditions of service of the employees. If this happens, then the principle of collective bargaining is taken away.

Employees of the LIC are being deprived of their political right and of civil liberty. There is a case of Sukh Dev Singh, an employee of LIC. He wanted to stand as a candidate, as an M.L.A. Since in the first instance he was not permitted, he fought a case. He started a case in 1965. In 1975 there was a Supreme Court judgment in which he was given a right to participate in elections and to contest election.

Besides that, Class II and IV are being removed from the purview of the Industrial Disputes Act. All the previous legislations which obtain will be nullified. ILO has also criticised provision of this Act.

My submission is that this Bill be thrown away and be rejected in toto.

If the functioning of the LIC has to improve, that depends on the employees of the LIC. The employees of the LIC should be involved in the management, in all decision making, day-to-day functioning.

Very low interest is given. This should be changed.

I thank you for allowing us this opportunity to appear before the Committee.

MR. CHAIRMAN.: Please refer to clause 24 (4). It refers to the claims. Can you tell me what is the number of claims which are pending today with the LIC.

SHRIMATI RITA KARAT: I am sorry, we do not have the information immediately with us. We can get it, if you like.

We are a women's organisation who feel that this Bill is going to adversely affect women whose husbands may be policyholders or they may at any time want to become policyholders. It is from that angle, we are opposing the Bill. Second point is, there are 6,000 women employees in the LIC. Apart from the fact that we are generally interested in the well-being and democratic rights of all the employees, 6,000 women employees are going to be adversely affected; their service conditions are to be affected. It is going to have a widespread impact on the democratic movement. That is why, we have come before you to put forth our view points in a gist that the Bill is going to affect a large section of the people adversely. We do not have technical figures as to number of claims pending etc.

SHRI SATISH AGARWAL: When was the Janawadi Mahila Samiti formed?

SHRIMATI RITA KARAT: The organisation was formed in 1980. We are affiliated to an organisation called All India, Democratic Women's Organisation.

SHRI SATISH AGARWAL: So, this particular organisation is not separately registered under any Act. Is the All-India Democratic Women's Organisation a registered body?

SHRIMATI RITA KARAT: No, it is not. But we have State units functioning all over India. It is one of the latest women's organisations in the country.

SHRI SATISH AGARWAL: Does it have the constitution and aims and objects?

SHRIMATI RITA KARAT: Certainly. But our constitution and aims and objects are the same as that of All India Womens Organisation which has membership of about 18 lakhs throughout the country. we are functioning specifically for Delhi. I am appearing on behalf of the Delhi unit.

SHRI SATISH AGARWAL: You are functioning in Delhi for the last 4 years. What are your activities so far as your unit is concerned?

SHRIMATI RITA KARAT: Thank you, Sir, for giving me an opportunity to explain our activities. Actually, we are dealing with every kind of women oppression as citizen of this country, women as part of the class and women as against the social oppression, dowry, rape and so on.

I am talking about women, as a class, as working women employed in a factory or an office and also about women as citizens of this country. We have also appeared before the Dowry Prohibition Committee. Unfortunately, we are still awaiting a legislation on it. We also appeared before the Committee on Criminal Law Amendment Bill, that is the Rape law.

SHRI SATISH AGARWAL: Have you collected any data or information to show thereby the harassment caused by the LIC in not admitting the claims of widows and that they are forced to go to the courts to get the claims settled and, if so, would you please pass on the same to the Committee?

SHRIMATI RITA KARAT: We do not have the information with us today. But we can certainly give you some information in regard to that.

MR. CHAIRMAN: What is the number of women policy holders?

SHRIMATI RITA KARAT: We strongly feel that women are being discriminated against in so far as policy-holding is concerned.

MR. CHAIRMAN: Do you want any improvement in the Bill or you do not want the Bill at all?

SHRIMATI RITA KARAT: We want that the Bill should be scrapped into.

As far as the disabilities are concerned, we have mentioned all that in our memorandum. We say that there is not even one clause aimed or connected with increasing the benefits to policy-holders or providing facilities to them.

MR. CHAIRMAN: What are the disabilities that women suffer from?

SHRIMATI RITA KARAT: Firstly, there is a higher premium for women. We have to pay a higher premium. Secondly, only those women who pay income-tax are eligible to become policy-holders.

SHRI SATISH AGARWAL: That is not correct. It is not that only those women who pay income-tax are eligible to become policy-holders. That is not the position.

SHRIMATI RITA KARAT: I stand corrected.

MR. CHAIRMAN: Is there any other disability?

SHRIMATI RITA KARAT: In regard to admitting and settling claims, there is a totally unsympathetic attitude on the part of LIC. So far as the LIC rules are concerned, these are not helpful to the policy-holders. Then, there is the bureaucratic red-tape. We do not feel that by splitting the LIC into five corporations, these things are going to be improved. We feel that it is the mismanagement of the LIC that is responsible for all these things. We want that the Bill should be scrapped in toto. We do not feel that there is anything in the Bill which is positive and helpful. Therefore, we want that it should be withdrawn.

MR. CHAIRMAN: Do you suggest any remedy for that?

SHRIMATI RANJANA NARULA: The remedy lies in discussing the matters. They will be able to inform the management how it can be done. You are trying to put the employees behind the barbed wire. You do not have any right to do that.

An LIC employee wanted to contest the election. The management objected to it.

SHRI SATISH AGARWAL: You can ask for it.

In your memorandum you have stated that the policy of the LIC management in regard to class III and IV employees of the LIC is that the LIC would not be able to do justice to 90 percent of the widows and 50 per cent of the women employees. Am I correct?

SHRIMATI RANJANA NARULA: The comment we have made is regarding the impact of the settlement of the insurance policies of the total number of policy-holders in which a certain percentage of the beneficiaries are women.

SHRI SATISH AGARWAL: You have stated in your memorandum that the policy of the LIC management in regard to Class III and IV employees is such that it will retard work.

SHRIMATI RANJANA NARULA: The provisions of the Bill are such that class III and IV employees of LIC will be affected.

SHRI SATISH AGARWAL: You are concerned with the employees of LIC?

SHRIMATI RITA KARAT: We are certainly concerned with any section of people in a democratic movement.

SHRIMATI RANJANA NARULA: There are lot of women who are Class III and IV employees in LIC.

SHRI BHIKU RAM JAIN: Are you representing the employees of the LIC or the women claimants?

SHRIMATI RITA KARAT: There is no contradiction at all. We represent women in this country. As the women of this country, we are interested in the development and welfare of all sections of the toiling people, be they LIC employees or other workers.

MR. CHAIRMAN: Will you suggest any amendment to the Bill?

SHRIMATI RITA KARAT: The Bill has to be scrapped. No amendments are going to help the Bill. It has to be scrapped in its entirety.

MR. CHAIRMAN: These Clauses were asked for by women.

SHRIMATI RITA KARAT: It is going to harm women. We have said this in detail in our memorandum.

We have given our views point by point.

This Bill is going to harm different sections of our people and they include the policy-holders and widows and children and the employees of the LIC itself. As representatives of a women's organization, we feel that we have a responsibility and duty to put forward our case.

SHRI BHIKU RAM JAIN: You have said that there would be unhealthy competition if the LIC is split. Will it help those 90 per cent widows and 15 per cent women employees or will it be injurious to their interest?

SHRIMATI RITA KARAT: It will be injurious to their interests?

SHRI BHIKU RAM JAIN: How?

SHRIMATI RANJANA NARULA: It will be entirely disadvantageous to the policy-holders who are in a backward zone. There will be five different zones. The conditions in our country, as you are well aware, vary from region to region, and for the policyholders who live in a backward region where that particular Corporation has lean business and high running costs, the premium rates will be high.

SHRIMATI RITA KARAT: We feel that it is going to be disadvantageous for the simple reason that these Corporations are going to cut each other's throats. It is not going to help those areas where there is uneven development, where there are poor people.

SHRI BHIKU RAM JAIN: I was asking about the interests of women only, not about the interests of policyholders, because you represent women here. In what manner will women be benefited if there is a competition or no-competition?

MR. CHAIRMAN: They have given their views. Thank you very much.

(The witnesses then withdrew).

III. National Federation of Indian Women, 1002, Ansal Bhawan, 16 Kasturba Gandhi Marg, New Delhi-1.

Spokesmen:

(i) Shrimati Vimla Farooqui,
General Secretary.

(ii) Shrimati Maya Lahiri,
Member.

(The witnesses were called in and they took their seats).

MR. CHAIRMAN: I would like to make it clear that your evidence will be treated as public and it is liable to be published unless you specifically desire that all or any part of your evidence is to be treated as confidential. I may also explain to you that even if you may desire that your evidence may be treated as confidential, it is liable to be made available to the Members of Parliament.

Now do you want to say something in addition to your memorandum?

SHRIMATI VIMLA FAROOQUI: You have allotted two hours to day and out of that you have given more than 1-1/2 hours to a trade union and just half an hour for a women's organisation.

MR. CHAIRMAN: You can have your full say. We do not mind.

SHRIMATI VIMLA FAROOQUI: We have given the memorandum. We think the move for splitting the LIC is harmful to the policyholders and people in general. The proposed amendments are very much loaded against the workers who are employed. We request you to put before the Parliament that this should be reconsidered. We are concerned about women because you see as far as insurance is concerned, when a man dies and the woman is alive, she is the worst sufferer. The proposed split of the LIC, in our view, will make it top-heavy and more money will be spent on administration and gradually it will become a small unit and in course of time it will be split further. So we think that that will not be proper for the benefit of the people and particularly to women.

MR. CHAIRMAN: You have stated in your memorandum that the Bill does not contain any provision for increasing the benefits to policyholders. Will you please elaborate this point?

SHRIMATI VIMLA FAROOQUI: we feel that if any improvement is required, the improvement has to be towards making a sort of increase in the emoluments of workers. So to make the premium less for the policyholders...

MR. CHAIRMAN: Please confine yourself to policyholders. You have said about increasing the benefits for policyholders. I want you to please elaborate this point only.

SHRIMATI VIMLA FAROOQUI: Benefit means two things. One is that the premium should be lower. Secondly, we feel very strongly that women are not even permitted to become policyholders, if they are not earning. But majority of the women in this country are not earning. And premium should be decreased. For women it is a higher premium.

MR. CHAIRMAN: It has been stated in the Objects that the proposed reorganisation is also expected to im-

part a greater degree of dynamism in to the working of the industry and improve the quality of service rendered to the policy-holders.' What are your comments in this regard?

SHRIMATI VIMLA FAROOQUI: We feel that this splitting up of the LIC is not going to make it a monolithic thing. You are splitting up the LIC for various reasons. Firstly, as everybody knows, in this country, the level of development at different States is different. The poor States have lesser investment. There is less capacity for the people to take out policies. Eventually if the income is less from this region, then, the benefit in that region will be less. The law is so monolithic that whatever comes goes for the development. This is very harmful. According to law, whatever money is earned, 80 per cent of it has to be invested in the Government projects. The areas having higher incomes will be getting more and more. People feel that the backward area will remain backward. We feel that this will be quite harmful for the national development itself.

MR. CHAIRMAN (SHRI MOOL CHAND DAGA): You know that the investment is made by the Planning Commission and the Government—not by the LIC.

SHRIMATI VIMLA FAROOQUI: We know what happened in this country. Southern region is paying so much. So, the money should be invested in our region. We know that this will only increase the regional tensions and regional discriminations.

MR. CHAIRMAN: If we take care of the argument, do you think that whatever you are expressing everything is all right.

SHRIMATI VIMLA FAROOQUI: There are other things also.

MR. CHAIRMAN: You were telling two things again and again. One is the amount of premium which you are pressing on. Suppose if we accept this

demand of yours that the premium should be lower, then what amount do you want to be charged from a villager?

SHRIMATI VIMLA FAROOQUI: I cannot say that. It should be lower.

MR. CHAIRMAN: What should be the amount?

SHRIMATI VIMLA FAROOQUI: It should be lower at least by ten per cent. The poor people cannot pay premiums. Whatever you have set apart we want to give it to the villagers. The LIC is not becoming popular in the villages because no work is done there. It has to give incentives to the villagers and explain their case to them. Then only it may be popular. They are so poor that you cannot expect much from them.

MR. CHAIRMAN: When this is split into five zones, naturally, the employees and the Agents will go to the rural areas and they will have contact with all sorts of people. What is the harm in splitting up the LIC into five zones?

SHRIMATI VIMLA FAROOQUI: I thank it has nothing to do with this. It is due to the attitude of the Government as well as the LIC we have to expand this in the rural areas also. How to motivate the rural people even if they have money? They are not motivated to save in the LIC. They will rather buy gold or something like that. This is not connected with this at all. I say that there should be a greater incentive offered to the people to invest in the LIC.

MR. CHAIRMAN: Still, the rural areas have not been covered. This is our experience.

SHRIMATI VIMLA FAROOQUI: You have that experience. No other effort has been made in this direction.

MR. CHAIRMAN: We find the policy holders number 2 crores and 48 lakhs.

What is the number of policy holders at present?

SMT. LAHIRI: I cannot give the figures because I am not an employee of LIC.

★ MR. CHAIRMAN: You want this LIC business to go deep into distant villages of the country but why should it not be split up into five zones?

SMT. VIMLA FAROOQUI: We do not understand how it will be possible. At the moment there are zonal offices of LIC and if certain steps had been taken to popularise it in rural areas and those efforts had failed then we would have agreed with you about splitting but not now. Shrimati Lahiri would also like to add something.

SMT. LAHIRI: I would like to tell about rural areas. I give you one example. The State Bank of India has a centralised office but these people have planning and policies for approaching all the people. If they can approach all the poor people, why not LIC also use the same type of method.

SHRI BHIKU RAM JAIN: You have said that if there are five zonal offices of LIC and a particular zone in a backward area will may not be able to cater that area better. Now, supposing those five zonal offices are having branches all over the country then what is your reaction.

★ SMT. VIMLA FAROOQUI: I don't think that it is your proposal. Then I would also like to say why multiply the administrative expenses five time. And if you think it is to introduce an element of competition then I say competition is already there.

SHRI BHIKU RAM JAIN: You said backward areas will not get the benefit. What I say is, let there be competition among themselves. Your apprehension was that backward area will not be covered. But will it not give better employment opportunity?

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SMT. VIMLA FAROOQUI: I don't think splitting LIC is the answer.

SHRI BHIKU RAM JAIN: It can be called LIC No. 2, No. 3 and No. 4 etc.

SMT. VIMLA FAROOQUI: If you want only providing employment, there are other methods available to Government. Not this way. There are so many other developmental schemes. There are other methods of savings like Unit Trust etc.

SHRI BHIKU RAM JAIN: LIC is on'y one organisation. There is no second body.

SMT. VIMLA FAROOQUI: Even then I don't think 5 corporations are necessary.

SHRI BHIKU RAM JAIN: You said it will not cover backward area; you said, interest of employees will not be covered. If this is done, it will serve both.

SMT. VIMLA FAROOQUI: Administrative expenditure will go up five times.

SHRI BHIKU RAM JAIN: When more business is there, let expenditure go up somewhat.

SMT. VIMLA FAROOQUI: I don't think it is necessary.

SHRI BHIKU RAM JAIN: On five corporations, what is your women's organisation's view? Is monolithic corporation all right? Are you satisfied that claims are properly settled? On that score are you satisfied?

SMT. VIMLA FAROOQUI: Well, there are some complaints. But not too many complaints are there.

SHRI BHIKU RAM JAIN: Are you aware that a large number of widows go to courts to get their claims settled?

SHRIMATI MAYA LAHIRI: This is true. Some cases are there.

SHRI BHIKU RAM JAIN: The courts take a lot of time. Is it not a fact that we are creating more hindrance?

SHRIMATI MAYA LAHIRI: We do not fight with the Railways. We do not want an individual monopolist like Tatas to take over this business?

MR. CHAIRMAN: Do you think that the services rendered by the LIC is quite satisfactory?

SHRIMATI MAYA LAHIRI: I do not say it is doing perfectly well. But much has to be desired. But this is not the way to improve it.

MR. CHAIRMAN: What is the remedy for that?

SHRIMATI MAYA LAHIRI: There are several remedies. The workers should be involved in the management more in number so that efficiency could be increased.

SHRI BHIKU RAM JAIN: You have said that no effort has been made to do business in the rural areas. What are your suggestions to cover these rural areas?

SHRIMATI MAYA LAHIRI: There are no offices or any branches in the rural areas. There is no way to talk to the people in the villages about the LIC. Therefore, first LIC offices should be opened in the rural areas, at least a small office for each area for approaching the people there. Then only we will know the position.

SHRI BHIKU RAM JAIN: Therefore, if you open more offices in the rural areas, more business will come.

SHRIMATI MAYA LAHIRI: Yes.

MR. CHAIRMAN: But you have not given any solution. You have said in your Memorandum that all clauses of the Bill should be scrapped.

SHRIMATI MAYA LAHIRI: There should be another organisation to take care of this LIC in a better way.

MR. CHAIRMAN: Then, you give amendments to these clauses. Have you got any suggestions for that? But you simply say that our project should be scrapped.

SHRIMATI MAYA LAHIRI: There are so many Government projects which need improvement.

MR. CHAIRMAN: Have you gone through this Bill? Have you read all the clauses of this Bill?

SHRIMATI MAYA LAHIRI: Yes.

MR. CHAIRMAN: What are your suggestions to bring about improvements?

SHRIMATI VIMLA FAROOQUI: This will not bring about any improvement, this will be a retrograde step. We can give you suggestions.

MR. CHAIRMAN: You have said that you are not in favour of splitting the Corporation into five Corporations.

SHRIMATI VIMLA FAROOQUI: We have given reasons also.

MR. CHAIRMAN: Thank you very much.

(The witnesses then withdrew)

(The Committee then adjourned)

RECORD OF EVIDENCE TENDERED BEFORE THE JOINT COMMITTEE ON THE LIFE
INSURANCE CORPORATIONS BILL, 1983

Thursday, 22 March, 1984 from 1500 to 1800 hrs., in Committee Room No. 53,
First Floor, Parliament House, New Delhi

PRESENT

Shri Mool Chand Daga—Chairman

MEMBERS

Lok Sabha

2. Shri Satish Agarwal
3. Shri M. Arunachalam
4. Shri Dileep Singh Bhuria
5. Shri Bhiku Ram Jain
6. Shri Ghayoor Ali Khan
7. Shri Sunil Maitra
8. Shri Ratansinh Rajda

Rajya Sabha

9. Shri Lal K. Advani
10. Shri Nand Kishore Bhatt
11. Shri Vitthalrao Madhavrao Jadhav

SECRETARIAT

Shri S. P. Gupta—Chief Personnel and Executive Officer.

Shri R. S. Mani—Senior Legislative Committee Officer.

REPRESENTATIVES OF THE MINISTRY OF FINANCE (DEPTT. OF ECONOMIC AFFAIRS)
(INSURANCE DIVISION)

1. Shri H. M. S. Bhatnagar—Additional Secretary.
3. Shri R. K. Mahajan—Controller of Insurance.
3. Shri S. G. Subrahmanyam—Executive Director (Investment).
4. Shri S. K. Purkayastha—Director (Insurance)
5. Shri S. D. Raheja—Under Secretary.

REPRESENTATIVES OF THE MINISTRY OF LAW, JUSTICE AND COMPANY AFFAIRS
(LEGISLATIVE DEPARTMENT)

1. Shri S. K. Maitra—Consultant.
2. Shri Jagdishwar Narain—Deputy Legislative Counsel.

WITNESSES EXAMINED

- I. Prof. Ishwar Dayal,
International Management
Institute, New Delhi.
- II. Shri M. M. Ahuja,
Direct Agent,
Life Insurance Corporation of India,
New Delhi.
- III. Reserve Bank Employees' Association, C/o R.B.I., New Delhi,

Spokesmen:

- (i) Shri Harish Sharma,
Secretary.
- (ii) Shri Chander Shekhar.
- (iii) Shri M. L. Malkotia.

I. Prof. Ishwar Dayal,
International Management
Institute, New Delhi.

*(The witness was called in and he
took his seat)*

MR. CHAIRMAN: Before you start, I may point out that in accordance with the provisions contained in Direction 58 of the Directions by the Speaker, your evidence shall be treated as public, and is liable to be published, unless you specifically desire that all or any part of the evidence given by you should be treated as confidential. Even though you might desire your evidence to be treated as confidential, such evidence is liable to be made available to the Members of Parliament.

Q. I. Are you aware of the recommendations made by the Estimates Committee (1960-61), COPU (1965) and the Era Sezhiyan Committee (1980) regarding the organizational structure of LIC?

PROF. ISHWAR DAYAL: Yes, I am.

MR. CHAIRMAN: What were the recommendations of the Era Sezhiyan Committee?

PROF. ISHWAR DAYAL: Mainly, their recommendations were that the LIC should decentralise its activities, the work should be transferred to the branches, which should be the main contact for the policy holders, and the policy holders servicing should be handled primarily by the branch organisations. They have recommended that there should be improved machine support by which the policy records are maintained in a better condition. They have made many recommendations on procedure improvements and the working of the LIC.

MR. CHAIRMAN: Do you agree with the recommendation regarding setting up of zonal corporations etc.?

PROF. ISHWAR DAYAL: I have gone through that. I do not agree with this.

MR. CHAIRMAN: What are the reasons?

PROF. ISHWAR DAYAL: Dividing zonal offices and converting them into independent corporations will not serve any useful purpose whatsoever. If competition is taken away, then splitting of LIC has no particular significance at all, because, as it is, it can function effectively.

MR. CHAIRMAN: Have you seen the Report of the Committee on Public Undertakings regarding this?

PROF. ISHWAR DAYAL: I have read it. I would agree with the suggestion that the servicing must improve, that there should be much more independence given to the zonal offices, that the branches network must be expanded in such a way that it is easier for policy holders and more accessible to them and total service should be made available to them. But I do not agree that zonal offices need be independent corporations. They should be more autonomous, they must be much more responsible for results of the areas within which they operate. I would be personally of the view that zonal offices while they are autonomous, do not have to be independent corporations. There are advantages in their being part of the same corporation but functioning as if they should have much more independent responsibility.

MR. CHAIRMAN: What are the advantages?

Zonal offices are required, in my view because in a large country like ours there are differences between one region and another, and if you will permit me to give an example, if you take the Eastern Zone located in Calcutta which covers Patna and Bhubaneswar and other places also, there are local conditions which re-

quire certain variations in the policy, the approach, the way in which selling has to be organised, marketing strategy has to be decided upon, the network of agents that has to be set out, which has to be taken care of all these local variations must be determined and brought about by local authority. So, a regional office located in that region would be able to take care of those variations which are necessary for promoting the business in that area. The conditions in the southern region and those in the western region are different and those variations only the zonal offices would be able to bring about.

MR. CHAIRMAN: When the zonal offices can look after the welfare of the policy holders, then can the corporations look after their interests?

PROF. ISHWAR DAYAL: Zonal Offices are necessary because of the inter-regional differences and those inter-regional differences must be represented in the way in which the business is carried out in those regions. But they have to be a part of a total organisation because there are advantages in its being a part of a total organisation.

MR. CHAIRMAN: You are only repeating whatever has been mentioned in the report of the Public Undertakings Committee. They have also given their conclusions. Have you gone through their report?

PROF. ISHWAR DAYAL: I have gone through them.

MR. CHAIRMAN: Also, whatever you are saying is there in the report of the Administrative Reforms Committee.

PROF. ISHWAR DAYAL: Those are also my own views.

MR. CHAIRMAN: They are all part of the decisions taken by the Committee and they have mentioned them in their conclusions. So, now, will you please tell me one thing? Will the zonal offices help in intensified

development of business, to each corporation? More particularly, will it help the lower income groups?

PROF. ISHWAR DAYAL: The responsibility for intensified development of each area must rest with the branch and the branch network therefore has to be spread in such a way that they can reach the interiors of the country and those branches should have a wider outlook. The location of the branches is very important. It is necessary that more branches at a faster rate are set up.

MR. CHAIRMAN: You have also agreed that regional offices should be there. You say branch offices should be there, divisional offices should be there and you say that divisional offices should have skeleton staff. How much control can the Corporation have on these branch offices?

PROF. ISHWAR DAYAL: As much as a zone can have on the working of Divisional Offices.

MR. CHAIRMAN: How do you get the impression that more divisional offices will be created after re-organisation?

PROF. ISHWAR DAYAL: For this reason that the corporation located in Calcutta would have to have a network of branches in other parts of the country as well because when the policies are transferred from Calcutta to let us say, Delhi, then the Calcutta corporation would have to have branches in Delhi as well. If it is going to have branches in Delhi, it is necessary that divisional offices or some controlling offices have to be set up in Delhi, for Calcutta corporation. And this will apply to all the other corporations and therefore the network of divisional offices to control the branches throughout the country will have to be set up. It is inevitable that more divisional offices come into being.

MR. CHAIRMAN: If a policy holder wants to transfer his policy from

one office to another or from one corporation to another can he not do it?

PROF. ISHWAR DAYAL: From one corporation to another, he cannot. If these are independent corporations, he cannot do it. They will be zonal corporations.

SHRI SUNIL MAITRA: If after the corporations come into existence inter-zonal transfers will not be possible.

PROF. ISHWAR DAYAL: If these are independent corporations they will have their own bonus rates, their own premium rates. How can one corporation's policy be transferred to another because there are different conditions? That is why independent corporations will have a different structure.

MR. CHAIRMAN: If a board has been formed in order to coordinate the work of one corporation with another, that can be one corporation.

SHRI BHIKU RAM JAIN: There is a clause for a inter-transfer of policy. Do you agree with it. As you have envisaged the problem, how would you react to it?

PROF. ISHWAR DAYAL: If there are independent corporations, they have to function as independent corporations. How can one corporation take on the liability of another corporation?

SHRI BHIKU RAM JAIN: Suppose some provision is made whereby inter-zonal transfers are permitted, will that solve the problems?

PROF. ISHWAR DAYAL: It will solve this particular problem but then it will take away the independence of those corporations. They would not be autonomous corporations.

MR. CHAIRMAN: Have you come across any such instances where the LIC has opened divisional offices without justification.

PROF. ISHWAR DAYAL: I do not know about that.

MR. CHAIRMAN: You have mentioned that divisional offices should not be there.

PROF. ISHWAR DAYAL: Divisional offices are cost centres—non-productive and should be opened where strictly necessary.

MR. CHAIRMAN: How do you justify the apprehension that creation of five autonomous corporations will lead to increased expenditure with non-productive areas?

PROF. ISHWAR DAYAL: The branch offices are production units. They are selling their services, they are earning. Divisional offices are not doing this. They are mainly concerned with control and supervision. They incur expenditure. Their costs are loaded on to the cost of the branch and, therefore, the unproductive expenditure, howsoever necessary it may be, has got to be controlled otherwise it will cut into the income of the corporation which, in turn, would adversely affect the policy holders. So, the divisional office is not an earning unit, zonal office is not an earning unit but the branch is an earning unit. Therefore, more divisions, if they come into being, will cut into the cost of the branch and increase overheads. They will be expensive to the policy holders indirectly. From that point of view the number of divisional offices has got to be kept as low as possible and kept at a minimum number needed to control and supervise the branches.

MR. CHAIRMAN: Can you tell me that wherever the divisional offices have been opened, have they been opened without any justification, because you are a consultant? Are you in a position to tell us that these divisional offices were opened without any justification and can you name those divisional offices?

PROF. ISHWAR DAYAL: I am saying that if five independent corporations are created, in that case it will be inevitable that these corpora-

tions will have to set up divisional offices in different parts of the country and some of those may not be justified in terms of expenditure involved. So, I am suggesting this as a consequence of the five independent corporations coming into being, not as the position exists today.

MR. CHAIRMAN: Do you suggest any criteria as to where should the divisional offices be opened?

PROF. DAYAL: Coming back to the transfer of a policy-holder's policy, if the Eastern Corporation were to set up 3 or 4 branches in the northern region, then it would be necessary to set up a Divisional Office in the northern area as well. It is doubtful whether that expenditure would necessarily be justifiable for the Eastern Corporation.

MR. CHAIRMAN: How do you substantiate your statement that the creation of five autonomous corporations would lead to increased non-productive expenditure?

PROF. DAYAL: The divisional set up, however necessary, is an expenditure loaded on to the branch. If more divisional offices are created, it is inevitable that non-productive expenditure would be higher. The more the divisional offices, the higher the non-productive expenditure.

MR. CHAIRMAN: Do you mean to say that each of the five Corporations will open divisional offices all over the country? Is it justifiable in view of the proviso to clause 11(2) of the Bill, which says:

"Provided that a Corporation may establish, with the previous approval of the Central Government, any divisional office, branch office or other office at any place outside the Zone specified against it in the Second Schedule."

PROF. DAYAL: If you are going to set up 5 branches in Delhi of the Calcutta Corporation, it is inevitable that a controlling office has to come. Otherwise, the functioning of the branch would not have the kind of supervi-

sion that is required. So, it becomes inevitable to set up divisional offices on account of the opening of branches in different parts of the country. It is a natural consequence of the opening of branches in different parts of the country. It is inevitable.

MR. CHAIRMAN: How do you justify your apprehension that the administrative expenditure will multiply with the increase in the number of corporations, as compared to the present arrangement?

PROF. DAYAL: To the extent non-productive offices are opened the expenditure will go up. This is the consequence of having opened divisional offices in different parts of the country.

MR. CHAIRMAN: We are talking of the expense ratio.

PROF. DAYAL: At the moment LIC is controlling the expense ratio. Each divisional office is supervising a fairly large number of branches and, to that extent, it is controlling the expenditure. It is getting constant data and monitoring to see that the expenses do not go up. But in the event five Corporations are set up, my submission is that by the very nature of it, willy-nilly unproductive expenditure must go up in terms of setting up of Divisional Offices which are not earning units and that they will not be fully occupied in the sense that they would have to look after fewer branches than they can.

MR. CHAIRMAN: Do you mean to say that the Divisions are put up without considering all the aspects?

PROF. ISHWAR DAYAL: I am not suggesting that. I am suggesting that the management of these Corporations would not be able to help it. And if they do not set them up, then the supervision of branch offices will suffer. So, as Management, I don't see you can avoid setting up Divisional Offices.

MR. CHAIRMAN: Can't setting up a claims Tribunal strengthen settle-

ment of claims? If so, why do you apprehend that the Tribunal will not improve repudiation of claims.

PROF. ISHWAR DAYAL: I think repudiation of claims is something which is part of any insurance business. It is for the safeguard of the existing policy holders. I think much care is necessary to examine the validity of claims on the part of any insurance company. I think that is a function which must remain a part of the management of the insurance companies. As soon as an independent machinery is set up, one is bringing in all kinds of extraneous forces into the situation. It becomes more a legal battle and more a legal situation, where uninterested parties come into the picture. I think that is giving rise to a situation which is perhaps in my judgment not desirable. Personally I don't see that independent tribunal for this purpose is either necessary or desirable. It can lead to mal-practices which at all costs in any insurance business ought to be avoided.

MR. CHAIRMAN: Policy holders who want to have their claims and they go to the Claims Tribunals, how would it not benefit the policy holders and encourage malpractice? I have not followed this point. How would it encourage mal-practices?

PROF. ISHWAR DAYAL: Because the extraneous bodies outside this are fighting a battle for somebody on the part of the Corporation on the part of the claimant rather than the situation being examined by the people who have responsibility to decide that case after taking all due care in under-writing a particular insurance proposal.

MR. CHAIRMAN: Are they debarred today from going to a Court of Law?

PROF. ISHWAR DAYAL: They can go to the Court of Law, if they wish to.

MR. CHAIRMAN: If they go, then they can get their matter settled. Because there will be five Corporations then in each Corporation there will be tribunals. What is the harm?

PROF. ISHWAR DAYAL: The only harm in my judgment is that this repudiation is an important process and it is the care that the under writers must take. Extraneous elements that come into the picture can viciate the situation.

SHRI LAL KRISHNA ADVANI: You have raised the point about the claims clauses as a management expert. Till now the impression we, in this Committee, had, was that very many claims were wrongly repudiated and it was only when they went to the Court of Law they could get some justice. In fact, yesterday some Government organisation stressed this point very strongly. It was our feeling that this process of getting justice from the court would be a lengthy process and the Claim Tribunal process might be a short process. But your point is that this Claim Tribunal process would be a wrong step. What is the position of claims now-a-days with LIC? Do you advocate that it should be left to the management entirely?

PROF. ISHWAR DAYAL: Repudiation of a claim is a serious matter. Only justification for repudiating claim is to ensure that malpractice does not come into under-writing. The interest of the policy holder should be protected and any malpractice to the extent possible in under-writing a proposal should be kept to the minimum. Repudiation is a kind of negative indication that if you are not careful in under-writing, then chances are that your case may not receive attention and you will not get payment. So, it is in the interest of a large number of policy holders that spurious under-writing is avoided.

SHRI L. K. ADVANI: We have to look from the point of view of the policy holders. In the present situation, everything has been left to the management. Is it a happy position? Feeling that the position is an unhappy one, it needs to be rectified rather than forcing the

policy holder to go to the court of law.

PROF. ISHWAR DAYAL: My submission is that no management need to repudiate a claim. They do not have interest in that. It is only to protect a large number of policy holders that the question of repudiation comes. Why should management want to repudiate a claim? It is because it serves a purpose and that purpose is that malpractices are minimised to the extent possible. Why should any management have any objection in meeting the claim normally? I think in LIC, as I have been able to understand, the matter goes right upto the top. There is a high level committee. In the matter of judgement some mistakes could be made. But by and large every care is taken that each case is examined fully.

SHRI BHIKU RAM JAIN: Are the policy holders satisfied? Should there not be any other system as is envisaged in the Bill—say setting up of claim Tribunals? If LIC is giving satisfaction, are you satisfied that there is satisfaction among the policy holders?

PROF. ISHWAR DAYAL: There have been delays in the settlement of claims. Therefore, the policy holders would be dis-satisfied. As I have submitted in my paper—improvement in that respect is necessary and to the best of my knowledge LIC management is trying to do that.

SHRI BHIKU RAM JAIN: How are they trying to do? As per the statement I have got, the claims outstanding every year ranges from 28 per cent to 30 per cent and so on. That means, out of 100 claims, 14th part remains outstanding and there are quite a large number of claimants who are to seek the protection of the court. They go to the court either when it is not justified with the decision of the officer or officers are not taking any decision at all. Earlier you were saying that LIC are taking care of cases if there are some delays. If that was the case, why should they go to the courts today?

MR. CHAIRMAN: The total number of cases pending before the office is about 1,27,243. Are you aware of this figure?

PROF. ISHWAR DAYAL: I am not aware of the exact figures. But I am aware of the fact that this is quite a large number.

SHRI BHIKU RAM JAIN: Most of them are from the widows. Regarding the tribunal, the difference (I understand is that the dealing officer deals the file at the table without an applicant being there. The tribunal at least hears both the parties before deciding the case.

SHRI SUNIL MAITRA: On the question of payment of claims, can you enlighten the committee what could be the percentage of the claims repudiated every year?

PROF. ISHWAR DAYAL: I do not know figure.

SHRI SUNIL MAITRA: Can you enlighten the Committee about the grounds on which the claims are repudiated.

PROF. ISHWAR DAYAL: The grounds are, falsified information or certain suppression of facts or important health condition is wrongly given.

SHRI SUNIL MAITRA: Because of the suppression of material facts, according to LIC, large number of claims are repudiated. Can it be said like that?

PROF. ISHWAR DAYAL: Repudiation must have strong reasons. If all the facts are to be examined and if some vital information has not been given, obviously a view has to be taken.

SHRI SUNIL MAITRA: 90 percent of the claims repudiated in the Life Insurance Corporation was due to suppression of material facts at the stage of under-writing.

PROF. ISHWAR DAYAL: I have no knowledge of it.

SHRI SUNIL MAITRA: I will give you one example. At least, there should be some relaxation of rules here. Supposing a salaried employee takes a policy of Rs. 20,000.

Now, in his place of employment, usually, he is not allowed leave, leave is not that easily granted. So, what he does is that he applies for leave on medical grounds although he is not sick. That is the usual practice everywhere. Supposing, after the policy runs for 5 or 6 or 7 years and, unfortunately, the policy-holder dies, the LIC calls for the leave record from the employer. Then, it is found that the policy-holder at the proposal stage, in answer to questions like had you been sick, had you taken any medical leave, did you suffer from this disease or that disease, he had said, no, no and no, whereas when the leave record comes from the employer, it is found to be, yes, yes and yes. At that stage, 90 per cent of the cases are repudiated. This is the long and short story of the repudiated claims.

SHRI BHIKU RAM JAIN: You said that you had organised some of the public sector undertakings; you had taken some interest in the reorganisation of banks and that, during the last 3 years, you have been helping the LIC in their reorganisation. When you had reorganised banks and other similar public sector undertakings, did you take into account whether there should be only one unit of banks in this country and no more, as they are existing today, because the expense ratio would have been less; the service rendered would have been better and the banking system would have proved to be more advantageous to the people at large in this country?

PROF. ISHWAR DAYAL: The banks are independent units. They are functioning as autonomous bodies. I was largely involved in the reorganisation of the State Bank of India and the Bank of Baroda. The State Bank of India has grown today and it has about 6000 branches as against about 4000 branches they had earlier. We tried to ensure that the branch network expands; the controlling offices are able to perform the functions

that they should perform and the better the performance of the controlling offices, the faster will be the growth of the branch network.

What we were trying to ensure was that with expansion, it is able to exercise the necessary control and give the necessary direction so that that would enable the banks to expand effectively without losing essential control. That was our purpose.

SHRI BHIKU RAM JAIN: You being the management consultant, knowing all the intricacies of management, did you at any time think that instead of having a large number of banks in the country, there should be one Bank with branches, zonal offices, regional offices, headquarters and so on? Would that have been better or the present system of having 6800 branches of the State Bank of India alone and the expansion of the banking system all over the country through the various nationalised banks, whether it is the Punjab National Bank, the Syndicate Bank, the Central Bank and so on and so forth. Which of the two systems in your opinion would have been better?

PROF. ISHWAR DAYAL: I certainly prefer that there are a large number of banks. There is a difference between the banking organisation and insurance organisation. The unit of production in a banking system is the Branch. If there is no Branch, there is no business.

The unit of production in insurance company is the Development Officer and the Agent. If there is no Agent, there is no business. If there is no Development Officer, there is no business.

Therefore, the banking organisation and the insurance organisation are not comparable.

SHRI BHIKU RAM JAIN: The life insurance business is taken up at the Branch level by the Development Officer. Does it go beyond the Branch?

PROF. ISHWAR DAYAL: The Development officers are spread over in different parts of the district. The Development Officer does not have to be located where the branch is located.

SHRI BHIKU RAM JAIN: The Development Officer also not only looks after one Branch but several Branches.

PROF. ISHWAR DAYAL: The Development Officer is a person who is responsible for appointment of Agents and the training of Agents. The Agents contact the prospective insurance policy-holders and request them to fill up the proposal Form which the Agent bring to the Branch, alongwith other documents required by LIC for underwriting the proposal.

SHRI BHIKU RAM JAIN: The life insurance business is dependent on the Agent and the Development Officer.

PROF. ISHWAR DAYAL: The prospecting of life insurance business is dependent, upon the Development Officer and the Agent.

SHRI BHIKU RAM JAIN: It is not very material as far as the procuring of the business is concerned whether there are 20 Zonal Officers or one.

PROF. ISHWAR DAYAL: There is a limit beyond which the work may not be controlled effectively. One has to be conscious of the fact that no single unit should be too large which cannot be effectively controlled.

SHRI BHIKU RAM JAIN: That is the management control. I am talking of the securing of business. The main thrust of the business depends on the two personalities, the Agent and the Development Officer.

PROF. ISHWAR DAYAL: Once the proposal is completed by the Agent, it comes to the Branch. It is examined and taken up for under-writing. Once under-written, then, naturally a number of procedures follow. It has to be processed and put on machine for further servicing, etc.

SHRI BHIKU RAM JAIN: What is the main expenditure in securing business of life insurance?

PROF. ISHWAR DAYAL: It consists of Agency Commission, travel time, the number of visits he has to make—these are the elements of expenditure in procuring business.

SHRI BHIKU RAM JAIN: You have said that at the present management structure, one unit of LIC, there should be wider network of branches. You have said that the network of branches should be expanded. What I am suggesting is, the more the branches the more the expenditure. The expenditure is generally in consonance with the number of branches rather than the number of controlling offices. The zonal office is only to control the branches. The more branches you have, the more the expenditure.

PROF. ISHWAR DAYAL: This is not so. The branch certainly has expenditure, but it has also income because there is premium, while the zonal or divisional office has no income of its own; it is only expenditure.

SHRI BHIKU RAM JAIN: The monitoring expenditure. What would be that ratio in regard to the total expenditure?

PROF. ISHWAR DAYAL: It should be the minimum; it should be only as much as is necessary to effectively monitor.

SHRI BHIKU RAM JAIN: Before nationalisation of LIC, what was the total expenditure of the branches, percentage-wise, as compared to today, if you are aware?

PROF. ISHWAR DAYAL: I am not aware.

श्री बिलाल सिंह मूरिया : आपने ग्रामीण क्षेत्रों का उल्लेख किया है। आप जानते हैं कि इंडिया की अधिकतर पापुलेसन गांवों में रहती है और जो बांच एजेंट नियुक्त किए जाते हैं, वे अधिकतर ग्रहरी होते हैं। गांव वालों को जो बनीफिट मिलना चाहिए था, वह नहीं मिल पाया। क्या यह सही है ?

श्री इश्वर दयाल : जी हाँ, जितना बेनीफिट मिलना चाहिए, या उतना नहीं मिला।

श्री बलीप सिंह भूरिया : इसका कारण यही था कि ब्रांच एजेंट शहरी होने के कारण गांवों में नहीं जा सके इसलिए गांव वालों को बेनीफिट नहीं मिल पाया।

PROF. ISHWAR DAYAL: Partly correct because the development of rural business is more expensive than the development of business in the city. So the cost of development is higher and therefore, more concentration is where the cost is lower.

श्री बलीप सिंह भूरिया : आपने को-ऑपरेटिव सिस्टम देखा होगा जिसको रिजर्व बैंक फाइनेंस करता है। इसी तरह एपेक्स को डिस्ट्रीक्ट बैंक और डिस्ट्रीक्ट बैंक को सोसायटी बैंक करता है। इस प्रकार कास्ट आफ मनेजमेंट दिल्ली में जाते-जाते बहुत ज्यादा बढ़ जाती है। ग्रामीण बैंकों द्वारा कल्टीवेटर्स को 8 या 9 परसेंट पर लोन दिया जाता है। क्या आपको इसकी जानकारी है?

श्री इश्वर दयाल : जी हाँ।

श्री बलीप सिंह भूरिया : ग्रुप इन्श्योरेंस और क्रॉप इन्श्योरेंस के बारे में आप कुछ बताइये।

PROF. ISHWAR DAYAL: That is what I am suggesting that there have to be more branches—a branch network for obtaining business from the rural areas. Therefore, a larger branch network is essential.

MR. CHAIRMAN: What should be the qualification for the agents of rural areas?

PROF. ISHWAR DAYAL: Those who can understand the insurance business and are able to deliver the goods and service to customers.

MR. CHAIRMAN: Are there any criteria laid down or anybody can become an agent in the village?

PROF. ISHWAR DAYAL: That answer the LIC will be able to give you because I do not know the details.

SHRI VITHALRAO MADHAVRAO JADHAV: You have just stated that there should be a wider network of the Branches. At the same time you have said that LIC controls the expense ratio. As my friend has already pointed out, there is less work of the LIC in the rural areas. May I ask you—by increasing or expanding this wider network of the LIC branches, can you control the expense ratio? Rather it will be more.

PROF. ISHWAR DAYAL: With more branches which are viable and more branches which will be growing, the expense ratio will come down—so long as this expenditure is not padded up by setting up of unproductive units such as Divisional and Zonal offices so that if we have more branches where business is there, the expense ratio will come down certainly. Because they are earning, they will add to the prosperity of the Corporation. If I may repeat myself, to the extent unproductive units are not added and more productive units which are the Branches are increased, the chances are that the expense ratio will come down.

SHRI VITHALRAO MADHAVRAO JADHAV: You have said it and I entirely agree with you that these unproductive units should not be encouraged. But when you want to take this wider network into the rural areas, there will be some possibility that the unproductive expense ratio may be increased. These are economically backward areas. Therefore we have to make a special thrust on the development of business in the rural and backward areas. If we increase the branches in these areas, do you think that unproductive ratio will increase?

PROF. ISHWAR DAYAL: Of course, some branches may not be

as productive as other branches. This is in the very nature of every business.

It is in the nature of banking. Some branches are more profitable than other branches. This needs balancing. If, to-day, one goes to the distant areas, one will find that the policies may be of the order of 2,000 or 5,000. As and when their number go up, the branch is also going to become a profitable branch.

MR. CHAIRMAN: Can you tell me whether there is any guideline or is there any criterion which has been laid down for opening a branch in the rural area?

PROF. ISHWAR DAYAL: As regards the criterion for opening a branch, I think the LIC would be able to tell you better.

MR. CHAIRMAN: You cannot tell that. Can you tell us whether this can be done?

PROF. ISHWAR DAYAL: They have opened about 300 and odd branches in the last two to three years.

MR. CHAIRMAN: Are they economically viable?

PROF. ISHWAR DAYAL: They will not be economically viable from the day they are opened. But, over a period of time, they will become economically viable.

MR. CHAIRMAN: Can you give us the number of branches which are economically viable and the branches which are not economically viable?

PROF. ISHWAR DAYAL: By memory I cannot give that.

SHRI SATISH AGARWAL: Mr. Chairman, Sir, apart from what has already been asked by the hon. Chairman as well as by some of my colleagues, I would like to have some clarifications with regard to certain points which arise out of his answers before the Committee here. Before putting

my questions on that score, may I know from you when was this International Management Institute established in Delhi and whether the same is registered or whether the same is recognised by the Government?

PROF. ISHWAR DAYAL: The International Management Institute was registered in 1981 as a society and it had started functioning since then. I work there as a Dean of the Faculty. Before that, I have also worked in the Institute of Management in Ahmedabad, Calcutta and other places. I was Director of the Institute of Public Administration.

SHRI SATISH AGARWAL: You were associated with the Institute of Management in Ahmedabad also.

PROF. ISHWAR DAYAL: Yes, Sir. For a little over six years.

SHRI SATISH AGARWAL: So, you are very well versed in the advancement of an efficient management technology. What are the inputs for an efficient management?

PROF. ISHWAR DAYAL: Management has to define its task, set goals, allocate responsibility, measure performance and take such steps as needed to achieve its goal.

SHRI SATISH AGARWAL: Excuse me. You are an expert in management. So you have to say that one by one. For an efficient management, for example, you should have a policy. Otherwise, the management will go to dogs. Tell us one by one. It is expected of a witness of your stature to tell this so that we are enlightened on what are the inputs for an efficient management according to the latest dynamics of the systems of management prevalent in the whole world.

Then, we have to have the output ratio also. Since you have been associated with the Institute of Management in Ahmedabad and since you are now a Professor of the International Management Institute, you should know that there are standards

as far as inputs and outputs of management are concerned. If the inputs are not there, the outputs are also not there.

Tell us what are the standard prescriptions so far as inputs for an efficient management are concerned according to the international standards?

PROF. ISHWAR DAYAL: The management has to have an objective; it has to have a proper organisation to achieve the purpose which it has set out. It has to train its people and help them to grow. It must help them understand the purpose and develop relationships with the people who work within the organisation. It has to have strategy to achieve whatever it has to achieve. It has to anticipate what action it has to take so that its efficiency does not come down.

SHRI SATISH AGARWAL: Are you aware of the objectives of the LIC when it was formed in 1956?

PROF. ISHWAR DAYAL: It has to spread insurance and function on commercial lines.

SHRI SATISH AGARWAL: Can you vouch for the same standard of output of LIC during all these years. If not, what are the main reasons for that?

PROF. ISHWAR DAYAL: I am a consultant to LIC. I do not manage LIC. I think the records were not kept up to date. The machines which are needed to keep the policy-holders account do fall short of requirements. The growth that ought to have taken place was not anticipated well in advance. There were many things which the growing organisations in our country have not done and LIC is one of them.

SHRI SATISH AGARWAL: In nutshell I would say the LIC has lacked the essential inputs for efficient management.

PROF. ISHWAR DAYAL: I may not put it like this. LIC has recently taken steps to decentralise its activities. They have created more branches but much more had to be done which they have been doing in the last two-three years.

SHRI SATISH AGARWAL: So, according to the standards of inputs which should be available in a vast organisation like the LIC for its efficient management, no effective steps have been taken so far by the LIC to rectify the situation so as to get better output or better results. Now, are you aware of any such steps being taken to manage the LIC very efficiently.

PROF. ISHWAR DAYAL: The LIC has taken certain steps in certain respects to improve its efficiency. But they have to take more steps which they are taking for the last few years and I think they have yielded certain results.

SHRI SATISH AGARWAL: It has been told that the claims in the LIC is more than 100,000 which have been pending for long. Is it a happy situation for an organisation like the LIC in our country?

PROF. ISHWAR DAYAL: I think it needs improvement. Some steps are taken with regard to claims. Now, one of the reasons why information was not available was that machines were unable to list out all the claim policies. Now, the machine records have to be corrected and a number of issues connected with this work has not been transferred to the branches and therefore the pendency of the claims. Now, the branches would have full information regarding the complete listing of the claims. This is being done in the last 18 months or so.

SHRI SATISH AGARWAL: The standards inputs required for the public management according to the international standards are there in the LIC now. But they were not there in the LIC for the 25 years. I would like to know whether you subscribe to the views that according to the standards of inputs and efficient management, the LIC is lagging behind and that is why the output ratio is not satisfactory.

PROF. ISHWAR DAYAL: Several steps, to the best of my knowledge, had been taken in the LIC and there is considerable improvement.

SHRI SATISH AGARWAL: Are you aware of some of the foreign insurance companies where management system is available in the insurance field?

SHRI ISHWAR DAYAL: I have read in the journals and books about insurance business in foreign countries.

SHRI SATISH AGARWAL: What is the difference in so far as the LIC is concerned in comparison with the foreign insurance companies?

SHRI SATISH AGARWAL: What is the major difference that you find?

PROF. ISHWAR DAYAL: Three such areas stand out. One is that the agency force is much better trained in foreign countries, and much more attention is paid for the development of the field force. The second area is record-keeping which, in the case of insurance companies, is extremely important. To the extent records are not pure, many errors and problems arise. The third area is that supervision in field force is much more effective there.

The product development in foreign countries has received, because of competition, much more attention that it has done here in LIC.

SHRI SATISH AGARWAL: Do you know of any country where you find only one corporation doing life insurance business?

PROF. ISHWAR DAYAL: I cannot answer this, because I am not aware of it.

SHRI SATISH AGARWAL: If you do not know it, how can you advise LIC on the management of systems?

PROF. ISHWAR DAYAL: I am not an insurance expert; I am a management man.

SHRI BHIKU RAM JAIN: You said that as a result of some improvements in the working of those machines, they were transferred to the branches. Does it mean that the working of these machines at one place did not yield results and, therefore, they were sent to various units, so that they could do better?

PROF. ISHWAR DAYAL: LIC had a centralized system of record-keeping. All machines were at the divisional offices. These are unit-record machines. They were in use in 1953-56. As the number of policies increased the machines were unable to cope with the additional load. The second problem was that much faster information is necessary about lapsation and various other aspects of working. That information is more easily obtained at the branch level. Now that smaller machines are available, it is my best judgement that those machines should be available to the branches which will have all the data about policy-holders, which will throw up information needed to take corrective action faster, and serve the policy-holders better.

SHRI BHIKU RAM JAIN: You mean it was decentralized, in a way.

PROF. ISHWAR DAYAL: Yes.

MR. CHAIRMAN: Do you suggest that all policy-holders should be given a pass-book?

SHRI SUNIL MAITRA: There may be forgeries then.

Mr. Dayal, I will now confine myself to the scenario given in the Bill. The Bill visualizes the formation of five zonal corporations at the initial stage. They would restrict their activities within the territorial jurisdiction of each zone, and not beyond.

PROF. ISHWAR DAYAL: That is what I understand.

SHRI SUNIL MAITRA: There is an enabling clause under which the zonal Corporation has been authorized to open offices in the areas of other corporations, with the previous approval of the Central Government.

PROF. ISHWAR DAYAL: I think it is so.

SHRI SUNIL MAITRA: In the initial period the Bill says that the corporation will be working within its zonal jurisdiction. After the establishment of five corporations, these five will not be financially viable equally, from the point of view of premium income, surplus etc.

PROF. ISHWAR DAYAL: It is true.

SHRI SUNIL MAITRA: They say, e.g. that the eastern zonal corporation will consist of West Bengal, Bihar, Orissa, Assam and other north-eastern States. If five zonal corporations are formed economically and financially this will be the weakest corporation, considering the premium income from the eastern zone.

PROF. ISHWAR DAYAL: It will be different; but whether it would be the weakest, I do not know.

SHRI SUNIL MAITRA: The Second weakest unit will be the central corporation covering U.P. and Madhya Pradesh. Economically, the most viable and profitable corporation will be the western corporation, having its headquarters at Bombay. In terms of viability, the second would be the southern corporation; the third the northern one; the fourth the central one, and the fifth and the last the eastern corporation. After a few years, if the premium income is less, investment return is less, can a situation not arise where different corporations will be paying different rates of bonus to the policy-holders?

PROF. ISHWAR DAYAL: Inevitably.

SHRI SUNIL MAITRA: In such a case, can it be that the policy-holders belonging to the eastern zonal corporation, central and northern corporations, would like to opt either for the western or southern corporations?

PROF. ISHWAR DAYAL: They should.

SHRI SUNIL MAITRA: If so, how can it be justified that the policy-holder belonging to one corporation will be condemned in perpetuity to receive the lowest bonus, unless there is a deduction in the premium they would be paying? To what extent is the indication given in the Bill justified?

PROF. ISHWAR DAYAL: It is not.

SHRI SUNIL MAITRA: If the policy-holders find that they are being deprived of their legitimate share, compared to what other zones' policy-holders get, they may discontinue the policies.

PROF. ISHWAR DAYAL: In extreme situations, it can happen.

SHRI SUNIL MAITRA: Do you think that a slogan will be raised to dismantle the nationalization of LIC in central and eastern zones in that situation, and that they should be handed over to the private sector?

PROF. ISHWAR DAYAL: I do not know; but I would say that it is unfair.

SHRI SUNIL MAITRA: It is said that one of the reasons for establishing five corporations out of one corporation, is to bring about competition. Can I not say that after 1 or 2 corporations become red, public opinion might demand that 2 or 3 corporations should be dismantled and given over to the private sector, so that there could be competition between the public and private sectors?

PROF. ISHWAR DAYAL: I do not know the position but this is possible that the policy holders in one part of the country could be adversely affected compared to policy holders in another part as a result of the proposed action.

SHRI SUNIL MAITRA: Are you aware of the investment made by the government in the banking sector?

PROF. ISHWAR DAYAL: Yes.

SHRI SUNIL MAITRA: What was the amount invested by the government?

PROF. ISHWAR DAYAL: I know it generally but not specifically.

SHRI SUNIL MAITRA: It is Rs. 130 crores. What is the return year before last.

PROF. ISHWAR DAYAL: I could not tell.

SHRI SUNIL MAITRA: In case 5 corporations are formed, do you not think that the expenditure would go up and the return to the government will be less?

PROF. ISHWAR DAYAL: The expenditure would be higher, the return would be low and the policy holders would suffer.

MR. CHAIRMAN: Thank you. Now you may withdraw.

(The witness then withdrew)

WITNESS EXAMINED

**II—SHRI M. M. Ahuja, Direct Agent
LIC 23, Mahatma Gandhi Marg,
Lajpat Nagar IV,
New Delhi-24.**

(The witness was called in and he took his seat)

MR. CHAIRMAN: Before you start, I may point out that in accordance with the provisions contained in Direction 58 of the Directions by the Speaker, your evidence shall be treated as public, and is liable to be published, unless you specifically desire that all or any part of the evidence given by you should be treated as confidential. Even though you might desire your evidence to be treated as confidential, such evidence is liable to be made available to the Members of Parliament.

Since you have appeared before various Committees, do you agree with the Era Seshiyar Committee?

SHRI AHUJA: Yes.

MR. CHAIRMAN: Do you know that the working of the Life Insurance Corporation is not satisfactory to the policy holders?

SHRI AHUJA: After nationalisation things have considerably been improved as far as Delhi Division is concerned. Previously everything was centralised in the Division Office. Now it has been de-centralised and the branches have been given more powers. Policies are being issued from there. They have now installed mini computers and as a result, there

is a marked improvement in the working of these branches. I feel that if this programme is properly planned and well implemented, it will be a great success. In Delhi this programme was started all of a sudden without making any preparations. As a result of that, for one year, we were in a very great difficulty. It is not more than 2 1/2 years and things are moving very smoothly. The service has improved considerably.

MR. CHAIRMAN: Can you tell us the number of claims that are pending?

SHRI AHUJA: 15 per cent. The best insurance company in the world, Metropolitan Insurance Company in America, also has that much pendency.

MR. CHAIRMAN: How can you claim that the services of LIC are better than GIC?

SHRI AHUJA: The most incompetent and inefficient organisation today is the GIC of India. You insure today and you will not get the policy for a year. My brother died in an accident last week. I had advised him about a year back to take out an accident policy. After his death, I asked his son as to where his policy is. He said that they have not received any policy. That policy was given to me day before yesterday after his death. This is not the solitary case. But this is the normal functioning of the GIC.

MR. CHAIRMAN: In your own company, what was the percentage of claims pending?

SHRI AHUJA: Upto 45 per cent in Oriental my previous company.

SHRI SATISH AGARWAL: Since when has this improvement taken place.

SHRI AHUJA: This improvement is there for the last many years because there is a drive in the LIC that every branch, every division is judged from the point of view of the claims pending. If the number of claims

pending is large, then that division gets lesser marks and is considered as not functioning properly because actual marking is done for everything for death claims, for maturity claims, for pending cases and all these things.

SHRI SATISH AGARWAL: So far as pendency of claims is concerned, which is the worst division?

SHRI AHUJA: Excuse me, Sir. The Eastern Zone has a very bad record that way because you write a letter, you never get a reply, you have a claim, you are not attended to.

SHRI M. ARUNACHALAM: I would like to know how many rural districts in India have been covered by the LIC so far?

SHRI AHUJA: Well I am a worker and I have worked all my life in big towns. I do go out to other divisions but my business is concentrated in Delhi, Bombay, etc.

SHRI M. ARUNACHALAM: Completely devoted to the LIC, you should know how many districts have been covered and how many have not been covered.

SHRI AHUJA: As far as that is concerned, at present 40 per cent of the LIC business is under-written. Whatever business we are doing, 40 per cent is done by the rural branches and before nationalisation, the number of business from rural areas was not even 5 per cent. We have penetrated into far off areas and now we have agents in most of the districts and most of the talukas and 40 per cent is a very encouraging figure.

SHRI M. ARUNACHALAM: As you know, 80 per cent of the population in India is living in rural areas. Do you agree that decentralisation will help the rural population?

SHRI AHUJA: I do not think so. The reason being that by having more corporations you will not be able to achieve this objective. Insurance will

become more expensive. For instance, before the GIC was started, for a scooter, third party insurance premium used to be Rs. 17 per year and now after working for 9-10 years, they are charging Rs. 48. You just look at the proportion. Further, the service is at its worst. This experiment of decentralisation and having autonomous corporations, I am afraid, will not serve the purpose.

SHRI SATISH AGARWAL: What was the premium rate before nationalisation in the LIC, was it reduced after nationalisation because there is only one unit.

SHRI AHUJA: There was a slight reduction. They took the premium rates of Oriental Assurance Company and reduced it by one rupee per thousand per year. That became the rate. The reduction in premium was marginal. But, as far as bonus is concerned, it is excellent. No insurance company has given Rs. 34 per thousand per year, which we are giving for endowment policies and Rs. 42.50 for whole life. At the time when insurance was nationalised, the rate of bonus was Rs. 12 per thousand for endowment and Rs. 15 for whole life. At present 80 per cent of the money of the LIC is taken away by Government at 8½ per cent. This restriction is not applicable to banks. If Government can pay one per cent more, we can increase the bonus by 40 per cent.

SHRI SATISH AGARWAL: If I understand you correctly, you mean to suggest that the compulsory acquisition of LIC funds by the Government at a lower rate of interest deprives the policy holders of a higher bonus.

SHRI AHUJA: We can give much more bonus if we are able to get 1-2 per cent more. They limited it to a maximum of 35 per cent. They said they will pay the difference in the next 15 to 20 years. It has worked much more economically to the LIC than to pay much more in the first

year. If he is a professional agent, he can give very good service and maintain good contact with the policyholder.

SHRI SATISH AGARWAL: What is the type of service rendered by the part-time agent after two or three years. It is absolutely nil. So, why not give the policyholder the option to change his agent so that whoever gives better service will get the agency?

SHRI AHUJA: That might lead to many malpractices. Most of the part-timers leave this profession after 5 or 6 years.

SHRI SATISH AGARWAL: Are you aware of any training programme for part-time agents?

SHRI AHUJA: At the time when life insurance was nationalised, we did not have any training centre or training classes. But, with the passage of time, it was found necessary to do it. Now in every division they have started classes and the agents are being trained, particularly the field officers are being trained now. They have compulsorily to undergo some training and education. For the agent the period of training is three weeks to one month, which is very short. It should be increased. It is difficult to get whole-time agents. 90 per cent of them are part-time. Every year they have to undergo a refresher course.

SHRI SATISH AGARWAL: What is the commission paid by LIC to the agents?

SHRI AHUJA: 25 per cent of the first years premium is paid to the agents for procuring business. Then, in the subsequent years, it is reduced to 7-1/2 and 5 per cent. Earlier the commission used to be much higher. Even now in America and England it is much higher than what we pay in this country. In America the rate of commission is 70 to 80 per cent in the first year. Subsequently, they pay for 10 years at the rate of 5 per cent. At the time of nationalisation of life insurance, there were sub-agents, chief agents etc. and the commission used to work out to 70 per cent. after nationalisation.

You will find from the LIC records that if we are recruiting 50,000 agents, forty thousand agents are going off also. On the one side you are recruiting more agents, on the other you are terminating more agents. So, a part-time agent cannot stick to this profession for long. Your suggestion is that you should make the condition for an agent more rigid so that only people who are really interested in this profession will come.

Now, I find the agencies are actually being thrust on the people. If the agency is thrust, then he is not interested. They find there is business in the family. therefore, they go and get an agency for the niece giving her, training for fifteen days. And then later you find that agency does not run for more than a year or two. Automatically you have to terminate it. So, you must have more serious type of agents. You have to train the people. You must make the condition more rigid and have better trained people. With this system as you are having now, you cannot have quality work.

SHRI SATISH AGARWAL: What is your opinion if the LIC introduces the system of whole-time agents? At least this proportion should be brought down to 50-50.

SHRI AHUJA: But they can adopt this policy gradually so that the business is not affected.

SHRI AGARWAL: But so far as policy-wise it is concerned, it will be a better policy to introduce this system of having a whole-time agent for procuring business.

SHRI AHUJA: That will be the best policy. In America and other places you will find professional whole-time agents and the casual agent has to go. If they make this policy progressively on this line. I can assure you, you will have the best quality of business and better policyholders.

SHRI SATISH AGARWAL: If anybody wants to have a policy without the assistance of an agent, can he get a policy from the LIC?

SHRI AHUJA: No.

SHRI SATISH AGARWAL: Why?

SHRI AHUJA: As per the rules, the business has to be routed through someone who is working as an Agent for the LIC.

SHRI SATISH AGARWAL: If the LIC accepts proposals from the policy holders, who want one from the LIC without the Agent, then the LIC can give him the commission and save the commission for the next twenty to thirty years, say 40 per cent to 50 per cent.

SHRI AHUJA: As far as the Life Insurance is concerned, insurance is never bought. It is sold. 99.9 recurring business has to be sold to the policy holders.

SHRI SATISH AGARWAL: Supposing there are some conscious people, who want to have insurance cover for themselves. They approach the LIC Officers saying I want an insurance policy. Instead of paying to an Agent, because he does not give me service, you give me Commission for 40 per cent to 50 per cent. If that system is incorporated, will it not help the LIC save profit for thirty or twenty years and also a commission to the man concerned?

SHRI AHUJA: If you start this mal-practice, you will find the rebating will become more popular. The idea is to curb these tendencies of rebating. If LIC starts rebating it itself, that means you are competing with your own agents. How can I exist then? If you go to the LIC and get a rebate, you won't insure through me even though I give you the best service.

MR. CHAIRMAN: You have been working as an agent for the last forty three years. How much business you have procured for the last 43 years? Can you give me the latest figures?

SHRI AHUJA: I have four thousand policy holders on my list.

MR. CHAIRMAN: And are you in a position to serve four thousand policy holders?

SHRI AHUJA: I have an Office of my own.

MR. CHAIRMAN: What is the commission you are getting per year?

How much commission will you get this year?

SHRI AHUJA: About Rs. 1,80,000.

MR. CHAIRMAN: What are the services that you are giving?

SHRI AHUJA: I issue notice to all my clients for premiums. I remind them to pay premium in time. If it is not paid I send reminders—No. 1, 2, 3, 4. These are sent by my office. If the premium is still not paid then I give a telephone call to them saying that your policy is lapsing and if the payment is not made in time, it will involve a lot of complications.

If the policy holder wants loan, loan is arranged. If he wants housing loan, I assist my client. If it is a death claim, then I give due service to my client. In addition to all this I write to my client that you can send your premium to the LIC directly. But if you have any difficulty in doing so, you may send it to my office and I can assure you that receipt of that will be sent to you in time.

These are not obligatory on me. But if I want to repeat business, if I want to be in good terms with my clients, I have to maintain some contact with them. Physical contact is not possible when you have such a large number. The way of contacting is on his birth day we send birth day card. Notices are also sent for payment.

If nomination has not been made or changed or if he wants to assign policy, all this is done in my office.

MR. CHAIRMAN: Does LIC not render all these services?

SHRI AHUJA: We give to our clients better service.

MR. CHAIRMAN: Why are so many death claims pending? Why is an un-adjusted amount there with LIC? Have you gone through Era Sezhan

Report? How do you say that work in LIC is going on satisfactorily?

SHRI AHUJA: We have to take many factors into account. There was one person who was insured through me for Rs. 1,80,000. We paid Rs. 1,50,000, because his death occurred within three years.

So, we asked his wife to get his certificate from the hospital so that we can settle that claim also. Now, that lady could not send me the certificate. Then, I approached her several times. She also went abroad. As far as LIC is concerned, it is an outstanding claim. Now, her son has come. He said, you have paid Rs. 1,50,000 but 30,000 you have not paid. I told him, your father died within three years and therefore investigations are to be completed. Unless you cooperate with us, we cannot get this report. You therefore get it from the hospital so that we can settle the thing. The hospital will not give that report to us. Now he has been able to get that report but it has taken them 2½ years to get it. In all those cases where the claims are pending, LIC is not to be blamed.

Now, one insured man paid for 15 years. After that he stopped. The policy matured after 10 years. The paid-up policy is for Rs. 90,000. Now, LIC was looking for his address. We wrote to his office. His office said, he left the service more than 12 years ago. His address is also changed. Now that claim is lying pending. He was not my client. Then, the LIC from the file found that this man wanted a loan on the policy. Then they wrote to me. I know where he was. I went to his house. I told him, you have not intimated LIC regarding your change of address. He said, it did not occur to me. I thought LIC would find out my address. Like that, there are innumerable cases particularly in paid-up policy. If the premium is stopped after three years, a certain amount is paid to the client. You will find that maximum number of

claims to be settled is on paid-up policy.

MR. CHAIRMAN: What is the percentage of policy holders from the rural area?

SHRI M. M. AHUJA: As far as my clients are concerned, they are from urban areas.

MR. CHAIRMAN: I think, they should have prescribed some minimum qualifications for the rural agents also.

SHRI M. M. AHUJA: Yes, Sir. Illiterate people or people who are not even matriculates cannot do the job because lot of correspondence one has to do. He must know the rules and regulations and all that. If a person is not well educated he will not be able to deliver the goods.

MR. CHAIRMAN: Today, there are many agents who are not even passed middle class. Can they be appointed as agents also?

SHRI M. M. AHUJA: Since, we have comparatively less business from the rural area, you have to make it even 8th standard or so. Our ultimate aim should be a man should be well-educated and he should be able to explain everything to the clients. But if you are not getting agents in the rural area, you have to lower the standard.

SHRI RATANSINH RAJDA: You have insured 4,000 policies and your commission amount is Rs. 1,80,000. Would you give us the idea of average number of policies and the average amount of commission received by the full-time agents?

SHRI M. M. AHUJA: Well, we have clubs in the LIC. There is the Chairman's club, zonal managers club, DMs club and Branch manager's club. Now, if you are a member of the Chairman's club, you must have the minimum standard of 6 to 7 years and you must have done a minimum business of Rs. 15 to 20 lakhs each year and then, your renewal commission should be Rs. 25,000 minimum a

year. The income should be another Rs. 20,000 a year. Then only you become a member of the Chairman Club.

Similarly for the Zonal Manager Club, they have got the rules.

We have at present 411 members of the Chairman Club. The total number of club members all over the country is about 6000. Out of these 6000 members, 4000 members are professional agents and 2000 are not professional agents.

The last meeting of the Chairman Club was held at Jaipur last month. This Club was started in 1972. We had only 14 members to start with. I am a founder member of the Club.

SHRI RATANSINH RAJDA: Is it obligatory to start such a club?

SHRI M. M. AHUJA: This was started by the LIC because they wanted to give recognition to professional whole-time agents and make them a class so that they are able to provide better service to the policy-holders and watch their interests. Even prior to that we were giving service to the policy-holders. But there was no recognition given by the LIC. Now, they are recognised as whole-time professional agents. They can use the letter-head and some facilities are given to them.

SHRI RATANSINH RAJDA: I did not get the figure of average amount of commission earned by whole-time agents.

SHRI M. M. AHUJA: The average amount of commission should be minimum of Rs. 50,000 per year.

SHRI RATANSINH RAJDA: How many there would be agents of your category, earning Rs. 1.80 lakhs?

SHRI M. M. AHUJA: The number will not be very large. I have put in 40 years in this line. My average business even today is over Rs. 50 lakhs per year. My son also in the same line. He is also doing the same amount of business. This is a very good line provided it is done properly. The number of agents who are hav-

ing this much of income all over the country may not be more than 50 to 100.

SHRI RATANSINH RAJDA: Do these full time agents have their own offices?

SHRI M. M. AHUJA: I have an office of my own; I have 5 persons working with me.

SHRI RATANSINH RAJDA: Do all the full time agents of your category have offices of their own?

SHRI M. M. AHUJA: Yes, Sir. Otherwise, they cannot do so much of business every year. You need extra hands. With two hands, you cannot run the office and do outside work also.

MR. CHAIRMAN: Now-a-days, there are benami agents also.

SHRI M. M. AHUJA: There are benami agents; there is no doubt about it.

MR. CHAIRMAN: Is any action taken against them?

SHRI M. M. AHUJA: It is very difficult to prove that somebody is a benami agent. We know who are benami agents. But the action is not taken.

SHRI SUNIL MAITRA: Since you are a very illustrious agent of the LIC with long years of service, naturally, I take it that you have vital interest in the well-being of the LIC. Since you are associated with the LIC from its formative days in 1956, do you consider that it will serve the interests of policy-holders to split the LIC into five independent Corporations?

SHRI M. M. AHUJA: I do not think it will serve the cause of public. If you are splitting up the LIC on the basis of size, I am afraid. You shall have to split them further. These five Corporations shall have to be split up after every 5 or 10 years. The need of today is that we must make these branches more efficient by decentralisation. When you decentralise these branches, the divisional offices' function should be to coordinate the working of these branches.

If the zonal office is vested with the powers of Central Office, you will find the business of LIC increasing manifold. By splitting up LIC into more Corporations, it would only be creating more problems and insurance will become more expensive.

Before nationalisation of general insurance, they used to charge Rs. 18 to cover scooter risk. Now they are charging Rs. 48. What justification is there for this? I really cannot understand. Moreover, I can assure you that I am not prejudiced against anyone. I have to say that the most inefficient and incompetent organisation in the country today is GIC.

MR. CHAIRMAN: GIC is not monolithic. It is holding companies.

SHRI AHUJA: They are separate independent units. Their expenses are mounting every day.

MR. CHAIRMAN: Do they have competition?

SHRI AHUJA: They are four independent units.

MR. CHAIRMAN: Therefore, there is competition.

SHRI AHUJA: But with competition, you should get better service.

MR. CHAIRMAN: Even after GIC is split into four units, the general insurance performance is worse than what it was before nationalisation.

SHRI AHUJA: It is correct. (The witness then withdrew)

IL Reserve Bank Employees Association,
C/o R. B. L., New Delhi.

Spokesmen:

(i) -Shri Harish Sharma,
Secretary.

(ii) Shri Chander Shekhar.

(iii) Shri M. L. Malkotia.

(The witnesses were called in and they took their seats)

MR CHAIRMAN: Before you start, I may point out that in accordance with the provisions contained in Direction 58 of the Directions by the Speaker, your evidence shall be treated as public, and is liable to be published, unless you specifically desire that all or any part of the evidence given by you should be treated as confidential. Even though you might desire your evidence to be treated as confidential, such evidence is liable to be made available to the Members of Parliament.

SHRI CHANDER SHEKHAR: I want to say something about the Memorandum that we have submitted. You know that we represent a trade union and as public sector employees, we wish to place our views before you about this LIC Bill.

We feel that this Bill is introducing a new culture not only in the matter of public sector but also with regard to the service conditions of the public sector employees.

MR. CHAIRMAN: I take it that you are pleading for those employees only who are to serve the insurance policy-holders.

SHRI CHANDER SHEKHAR: Definitely.

MR. CHAIRMAN: Do you appreciate these Claims Tribunals and Service Tribunals?

SHRI CHANDER SHEKHAR: We feel the Claims Tribunals will cause hardship to the policyholders.

MR. CHAIRMAN: What about Service Tribunals?

SHRI CHANDER SHEKHAR: Even here we feel that the normal judicial channels and the conciliation machinery channels and even the provisions available to the workmen under the Industrial Disputes Act are being totally denied to the employees.

MR. CHAIRMAN: This Bill does not deprive the employees from going to a court of law.

SHRI CHANDER SHEKHAR: Only on the limited concept of violation of Fundamental Rights, not on service conditions matters. Service Tribunals have a limited jurisdiction. They will take care of only individual grievances and not collective grievances like determination of service conditions, wage structure or, for that matter, promotion policy, etc. Only individual grievances will be taken care of and that too has been made much costlier; whereas under the Industrial Disputes Act for redressal of grievances or recovery of some dues from the management, a workman employed anywhere, even in a small industry, can go to the Industrial Tribunal and can have redressal without paying any fees, but here he will have to pay Rs. 100 to approach even the Service Tribunal.

MR. CHAIRMAN: There are statutory rules and regulations. If you are aggrieved with those, you can go to the Tribunal. These Tribunals are being set up by the Central Government and they will be manned by independent judicial officers and not by the employees of the Life Insurance Corporation. You can get your claims settled expeditiously. If you go to a civil court, it takes a long time.

SHRI HARISH SHARMA: I think, we have been misunderstood. If it is about Claims Tribunal, our submission is that at the moment the jurisdiction is even a district court. When the idea is to split the Corporation into five independent autonomous Corporations, we can presume that the Claims Tribunals will not be established at the taluka level or district level but only at the divisional level or branch level. Naturally, to prefer the claim, a policyholder will have to go to that place. In that case, policyholders having small claims like Rs.1,000 will be discouraged.

MR. CHAIRMAN: The policy-holders can go directly to the Claims Tribunals.

SHRI HARISH SHARMA: There should be a rural bias in the Bill. That is the professed objective of the Bill. But a policyholder in a small village if he is

made to go to the District Court for settlement of his claim, then that will be a matter of inconvenience. Suppose he has a claim of Rs.1000, then he has to pay a fee of Rs. 500. That is too much of a burden on the policyholder.

MR. CHAIRMAN: He can easily go to the Claims Tribunal because after all the civil courts are overcrowded. He can easily go to these Service Tribunals and a policy holder can get his claim settled. They have not said that Rs. 500 as to be paid as fee. The provision is 'not exceeding Rs.500.' First you are talking about the employees. This will weaken your organisation.

SHRI CHANDER SHEKHAR: On this issue of service matters tribunal also we want to give our observation that this question of individual grievance can be tackled there but the question of collective bargaining on major policy issues is given a go-by.

MR. CHAIRMAN: You talk of Service Tribunals. He talks of 'policy-holders' claims tribunals. Are you telling one point to me or you are harping on all the points?

SHRI HARISH SHARMA: On all the points.

SHRI CHANDER SHEKHAR: On the question of service matters we, the public sector employees, definitely view it as a retrograde step because the concept of collective bargaining is given a go-by. We feel that this is an adverse step for the entire public sector employees in the country. Even the ILO convention is being bypassed and the present government is a signatory to the ILO convention.

MR. CHAIRMAN: You have said that point many times. But please give the reasons for it. It will be split into five corporations and each corporation employees will get more opportunities of promotion. If it is a big organisation you hardly get a chance of becoming a Manager or General Manager but if it is a small corporation covering one area or one part of India, then you will get better chances.

SHRI HARISH SHARMA: To the extent our experience goes in this regard we find as a matter of fact that these chances of

promotion are illusory that we may be having more General Managers, more Chairmen and more Deputy General Managers. We have found from our experience that when it is one big organisation, one monolithic organisation, though the employees' contribution towards growth of business is exemplary, the staff strength does not increase in proportion to the increase in the business. As a matter of fact, our apprehensions are there about the talk of using the latest technology and all that.

MR. CHAIRMAN: Don't have any such apprehensions. We have established Service Tribunals. You must appreciate this step. You can form your own Union. Who checks you? You can put your claim before the corporation. Because it is a small corporation, it can function better.

You can consult your friend Mr. Maitra. He is here. He can very well look after your interests.

SHRI HARISH SHARMA: To that extent our concept is that if we have one large organisation and one large union for the employees...

MR. CHAIRMAN: You can have one large organisation.

SHRI HARISH SHARMA: Because we represent the banking industry. We find that in our sister concern, the State Bank of India, they have got 6000 branches. I think more than fifty lakhs of employees are involved.

MR. CHAIRMAN: Kindly try to understand this. The working of the banks is different from the working of the L.I.C. You have to go to the people for insurance. And there is a lot of difference in this. Tell us how many nationalised banks are there today? Do you know this?

MR. HARISH SHARMA: Twenty.

MR. CHAIRMAN: The State Bank has branches in the remotest corner of the country.

SHRI CHANDER SHEKHAR: There the issue is quite different.

MR. CHAIRMAN: I think you must give consideration to the country's interests. We expect you to serve the policy-holders. They must be satisfied. Do you know what is the functioning

involved. Have you ever appeared before Era Sezhayan Committee? Have you gone through their report? It has given a completely different picture. We are here to help you. Yesterday there was a judgment from the Supreme Court. You know it. We want to check you on that.

SHRI HARISH SHARMA: The question is not of checking. We are the poor employees—workmen.

SHRI SUNIL MAITRA: How does this come in? Whatever the management did was bad in law. There cannot be a judgment better than the one given by the Supreme Court.

Let them have their say. Mr. Chairman, please bear with them.

SHRI CHANDER SHEKHAR: On the question of serving the policy holders, we have a point to make. Take the case of G.I.C. From 1971 to 1983 if you go through the premium rates, you will find that it is 300 per cent. The third party insurance for the motor vehicles the rate has gone up from Rs. 17 to 48. It is 300 per cent. rise in the premium rate. This is the cause that these nationalised companies are serving in respect of the policy-holders. So, our apprehension is that by this unhealthy competition of five companies, we will be giving rise to the same position which the then Finance Minister Shri Deshmukh pointed out. This unhealthy competition should be removed. There should be one monolithic corporation. So, our appeal is that we should not go back upon that.

MR. CHAIRMAN: You please read out that portion which you just now said. I would like to hear that from you. Unfortunately, at the moment I am not having that statement.

Please supply it later. Many parliamentary committees have said that if the standard of efficiency of the Corporation is to be improved with better service to the policy-holders and the Corporation is to expand its business at a massive scale then its present zones should be converted into complete independent units.

SHRI HARISH SHARMA: We are not opposed to decentralisation but a large organisation is to be split into five independent organisations. As a common man we

feel creation of these five independent autonomous organisations would not be a wise step. We are for decentralisation. According to us when there are five independent organisations the service to the policy holders will become costlier. When IDBI was separated from Reserve Bank the objective which was given for separating it was that there are regional imbalances. LIC is a financial company and plays a pivotal role in setting the pattern of investment in the country. We know that in the West Zone the insurance business is thriving, in the East Zone, which is a backward region, the business is not good and in the Central Zone, perhaps the people are not that much conscious of the Insurance or banking importance. The question is: why should the Corporation be split into 5 units? This will create further regional imbalance and again regional feelings will grow. Regional chauvanism will be there and the employees of West Zone, because of good business, will have more promotions whereas in other Zones it will not be there. As employees we are concerned about that also. This will create so many problems, whereas if you see the performance, you will find that there is nothing to blame. As a matter of fact, it is the policy of the Government that the policy-holders should get better treatment in the matter of bonus and other benefits.

MR. CHAIRMAN: You have mentioned all these points in your Memorandum. I have gone through that. If you kindly go through the various clauses of this Bill, you will find that these points have been taken care of. Therefore, I would request you to go through various clauses of this Bill. If you go through the Clause 20 of this Bill, you will find that all these points raised by you are covered. You please read Clause 20 of this Bill. It is clearly mentioned there. There is a Board which will look after all the works enumerated by you in your Memorandum.

SHRI CHANDER SHEKHAR: I would like to draw the attention of the hon. Members of this Committee to Clause 68 of the Bill. This provision gives unbridled powers to the Central Government. The agreements and other settlements can be

set aside by a simple order of the Central Government. We oppose it as a trade union organisation.

MR. CHAIRMAN: You know the Supreme Court decision.

SHRI HARISH SHARMA: In fact, you are supporting us. Our right of collective bargaining will be completely eroded.

SHRI SUNIL MAITRA: You are aware of the speech of Shri Deshmukh on the floor of Lok Sabha in 1956, he opposed the idea of having more than one Corporation. The Estimates Committee of Parliament, 1961, also opposed the move to split up the Corporation.

MR. CHAIRMAN: It is a matter of documentary evidence. We need not ask them what is already available on record.

SHRI SUNIL MAITRA: The question is that not all the Committees have recommended for the split up of the LIC.

SHRI SATISH AGARWAL: Whatever is not contained in the memorandum, let them speak about. Cross-examination would be to a very limited extent, on very limited points. Whether this committee relies on the recommendations of the Era Sezhiyan Committee or not, is for us to decide.

SHRI HARISH SHARMA: We have made two new points in addition to what we have mentioned in the memorandum. One is the dictum of the role of investments in the creation of regional imbalance—which you will not find in our memorandum. Secondly, the public sector employees who are the employees of all-India organizations will have difficulty in getting service from the five independent autonomous corporations. They are getting some benefits, e.g. under salary savings scheme. I do not know whether all the corporations will be having uniform schemes, or diverse ones.

SHRI SATISH AGARWAL: No further examination is necessary.

MR. CHAIRMAN: Thank you, Mr. Harish Sharma.

(The witnesses then withdrew.)

(The Committee then adjourned.)

RECORD OF EVIDENCE TENDERED BEFORE THE JOINT COMMITTEE ON THE LIFE
INSURANCE CORPORATIONS BILL, 1983

Tuesday, 10 April, 1984 from 1500 to 1625, hrs., Room No. 62, First Floor,
Parliament House, New Delhi.

PRESENT

Shri Mool Chand Daga—Chairman

MEMBERS

Lok Sabha

2. Shri Satish Agarwal
3. Shri M. Arunachalam
4. Shri Dileep Singh Bhuria
5. Shri Nurul Islam
6. Shri Sunil Maitra
7. Shri Braja Mohan Mohanty
8. Shri Ram Pyare Panika
9. Shri Ratansinh Rajda

Rajya Sabha

10. Shri Lal K. Advani
11. Shri Nand Kishore Bhatt
12. Shri Vitthalrao Madhavrao Jadhav
13. Shri Sudhakar Pandey
14. Shri Sukomal Sen

SECRETARIAT

Shri S. P. Gupta—Chief Personnel and Executive Officer.

Shri R. S. Mani—Senior Legislative Committee Officer.

REPRESENTATIVES OF THE MINISTRY OF FINANCE (DEPTT. OF ECONOMIC AFFAIRS)
(INSURANCE DIVISION)

1. Shri H. M. S. Bhatnagar—Additional Secretary.
2. Shri A. S. Gupta—Current-in-Charge and Managing Director, LIC.
3. Shri R. K. Mahajan—Controller of Insurance.
4. Shri S. K. Purkayastha—Director (Insurance).
5. Shri S. D. Raheja—Under Secretary.

REPRESENTATIVES OF THE MINISTRY OF LAW, JUSTICE AND COMPANY AFFAIRS:
(LEGISLATIVE DEPARTMENT)

1. Shri Jagdishwar Narain—Deputy Legislative Counsel.
2. Shri A. C. Mahapatra—Attache (Orissa).
3. Shri K. N. Gopinathan Nair—Attache (Kerala).

WITNESSES EXAMINED

1. All India National Life Insurance Employees' Federation, New Delhi-1.
Spokesmen:

- (i) Shri N. Chakravorty,
General Secretary.
- (ii) Shri V. K. Sharma.

I. All India M. G. Audit accounts Association New Delhi—60.

Spokesman:

Shri S. K. Vyas,
President.

1. All India National Life Insurance Employees' Federation, New Delhi-1

Spokesmen:

(i) Shri N. Chakravorty,
General Secretary.

(ii) Shri V. K. Sharma.

(The witnesses were called in and they took their seats.)

MR. CHAIRMAN: Mr. Chakravorty, before you start giving your evidence, I would like to make it clear to you that your evidence shall be treated as public, and is liable to be published, unless you specifically desire that all or any part of the evidence given by you is to be treated as confidential. Further, I may also add that even though you might desire your evidence to be treated as confidential, such evidence is liable to be made available to Members of Parliament.

SHRI N. CHAKRAVORTY: I will abide by what you say.

MR. CHAIRMAN: What were the main objectives of nationalization of life insurance? Has LIC since its inception been able to achieve them?

SHRI N. CHAKRAVORTY: In the objectives of nationalization of life insurance enunciated in 1956, there are nine points. Shall I read them?

MR. CHAIRMAN: No.

SHRI LAL K. ADVANI: Those witnesses who have already submitted memoranda need not be asked once again to go through what they have given in writing, because we have seen them.

MR. CHAIRMAN: Do you have to add anything to what you have given in writing?

SHRI N. CHAKRAVORTY: So far as this objective is concerned, I will painfully mention here that when I will go through page 38 of the Statement of Objects and Reasons of this Bill, I see that in 1955, the

business in force was 45.16 lakh policies. After ten years, i.e. in about 10 years 1963-64 the business in force has become double. It was 101.19 lakh policies. Then again in 1978-79 the business has again become double, i.e. 207.8 lakh policies in force. On the contrary from 1979 we find no improvement at all. The business has increased within 5 years 36 lakh policies. If we go for another five years, it will be further increased. There may be obvious reasons. The objective is not fulfilled. Even if we go for the individual business, group insurance, this is not a happy trend. The question is whether we should be happy with this progress, whether we should have covered all insurable people and whether we have gone to the villages. Man to man, it will differ.

Pandit Jawaharlal Nehru once told in a public meeting 20 years ago that the village character was changing. People were having cycles, motor cycles, transistors and watches. So, taking this point into consideration, it needs a greater degree of dynamism; a greater degree of dynamism is required and leadership quality is required. But today we are within the routine. That dynamism, that leadership, that quality to carry forward a message to the people and to give cheaper insurance to the people, in whatever form it may be, these things are missing. We also do not find the social objectives and clear vision which is required. If you run an institution you should have a clear idea, a clear perspective before you. You must have that dynamism, that leadership quality to carry people with you. I think I have explained my views on your first question.

MR. CHAIRMAN: Do you agree with the objective?

SHRI N. CHAKRAVORTY: Yes. I agree with the objective with which the Bill is introduced.

MR. CHAIRMAN: Are you also familiar with what Mr. C. D. Deshmukh

had said in his statement when the LIC Bill was introduced? Because you are referring to Mr. Jawaharlal Nehru, you must be knowing what Mr. Deshmukh said.

SHRI N. CHAKRAVORTY: I know it, how he wanted to proceed with the set up at that time.

MR. CHAIRMAN: Do you agree with the Era Sezhiyan Committee report?

SHRI N. CHAKRAVORTY: I want to mention two things before I refer to that Committee report. I am not an expert. But the reports of the Public Undertakings Committee and that of the Era Sezhiyan Committee are identical. But I may differ on one point. I request this august body to consider the competition in this field, and the all India character. This has not been pointed out by Mr. Era Sezhiyan; nor in the report of the Public Undertakings Committee of the Third Lok Sabha.

MR. CHAIRMAN: Will this splitting serve the objective of life insurance?

SHRI N. CHAKRAVORTY: Yes.

MR. CHAIRMAN: How?

SHRI N. CHAKRAVORTY: My contention is this. We have not tapped the unidentified spots. We have to go there. If we go there with the necessary dedication, determination and leadership, and tell the people the purpose of splitting the LIC, in order to bring more security to the common people. I think the people will calculate and see it for themselves. In rural areas where 70 per cent people are living in India, it is not provided. It is not good for our socialistic pattern of society.

MR. CHAIRMAN: What have you to say about these service tribunals?

SHRI N. CHAKRAVORTY: There are two points, which I have touched in my memorandum. One is about the service tribunal and the other is for claims tribunal. In my memorandum, if I may be permitted to say, I have mentioned it on page 9. It may be seen, I am only trying to draw your attention that under the existing system the fate of the employees is really miserable. It takes years

to redress the grievances of the employees. So, I think, under the present set up, service tribunals will be far better. Today in LIC 525 cases are pending in various courts pertaining to service matters.

SHRI SUNIL MAITRA: When did you retire from service?

SHRI N. CHAKRAVORTY: In May last year.

SHRI SUNIL MAITRA: For how many years you have served in LIC?

SHRI N. CHAKRAVORTY: 37 years.

SHRI SUNIL MAITRA: Different schemes have been put forward by the Government of India and other institutions which give more return to anyone who wants to invest. For example, Six years NSS gives you 12 per cent compound interest. Seventh issue 12 per cent compound interest. Ten-year Social Security Certificates 11.3 per cent compound interest and so on and so forth. When in 90 per cent of the cases if an ordinary man invests and gets more than the return that the LIC has to offer, then why on earth should a man go to the LIC and purchase the policy until and unless the return is increased?

SHRI N. CHAKRAVORTY: But the people are not having any insurance at all today. Let them have the insurance at least so that in the eventuality of their death, their families should at least get something. The purpose of nationalisation of LIC was mobilisation of people's savings and not earning profit. We want that mobilisation of more savings should be there. Policy holders today are getting better results.

SHRI SUNIL MAITRA: According to the law, 95 per cent of the profit or the surplus goes to the policy-holders but actually it is not so. My point was that since the LIC policy itself is unattractive, therefore, why should, at the very first instance, the people go in for LIC policies? So far as the rural folks are concerned, there are ample number of avenues for investment where more returns are available to them. Why then will the rural people go in for lesser returns? Can you tell me what is the average sum assured in the LIC?

SHRI N. CHAKRAVORTY: It is Rs. 17,000 something.

SHRI SUNIL MAITRA: That means the people who go in for LIC policies nowadays are not bothered about your security aspect of the things, they are bothered about these (1) perhaps from the investment point of view; (2) from the income-tax rebate point of view. Would you agree with me that, if the income-tax rebate temptation which the Government has granted is taken away, then the insurance business would be reduced to one-third immediately? So, people go in for life insurance, not for the risk against death, but for some other reason. Secondly, speaking hypothetically, the most prosperous corporation would be the western corporation and the poorest the eastern corporation. So, the premia, the business and the investible funds would be different for the different corporations. Naturally, the return to the policy holders would also be different.

SHRI N. CHAKRAVORTY: I cannot say how they will function after the splitting up. Let them function for some time in that way; then I will be able to say how they are functioning. Then you are saying that the eastern corporation will be poor and the western corporation prosperous. The nationalisation of life insurance was done long ago. If no steps were taken to remove the regional imbalance all these years, why give it as a reason against the splitting up? It is only when Shri Venkataraman the then Finance Minister spoke about the splitting up of the LIC that the ball started rolling about regional imbalance and so on. Even now, take Madhya Pradesh. There are 13 districts where there were no LIC office. Now they have been covered. The more we go to the interior areas, the more business we do, the more the income and more prosperity for the people as such. LIC was reluctant to open a new Divisional Office at Silchar. Ultimately they agreed to open that Divisional Office. Today this office is giving plus business. Thus if we go to the rural side and open more offices, it will provide social security to the people and generate more employment.

SHRI V.M. JADHAV: I have gone through your memorandum. You have

quoted there the speech of Shri C. D. Deshmukh, the then Finance Minister, in 1956, where he has stated that the LIC business has to be carried more intensively into the rural areas and without that, the LIC could not do economic justice to the rural backwardness. I agree with that. According to you, what steps are to be taken by the LIC so that more benefits reach the rural areas?

SHRI N. CHAKRAVORTY: We have not tapped the resources of the rural areas. We have not bothered about it. There should be well-trained agents before they go to the people. My view is that we should lay stress at the village level in the country as a whole. Then definitely we would be able to fulfil the objective for which we stand.

SHRI LAL K. ADVANI: Mr. Chakravorty, your memorandum is a very scathing indictment of the functioning of the LIC. The facts that you have mentioned and the words that you have used call it a dismal performance. You said that so far as reaching out to the countryside is concerned, the performance is deplorable. You have also mentioned the facts about the Madhya Pradesh districts and that there is not a single agent for Nagaland, Manipur and Meghalaya. I am inclined to agree with your comments that on the basis of these facts alone the performance is miserable. But what I myself find at a loss to understand is how it is the remedy which is contained in this Bill a cure for this disease? You have objected to this monolithic structure of the Corporation and attributed only shortcomings to the fact that there is a huge organisation like the LIC. Now, you want to decentralise. Even after splitting up these into five organisations, they are still going to be gigantic organisations by any standard. They are not going to be small organisations. So, how does it add to the manageability? That is the problem.

Furthermore, you yourself have identified and quoted from an ARC Report saying that the spirit of trusteeship is missing; that the ARC said it is not the structure which is at fault, but the spirit of trusteeship which really should permeate into the functioning of the LIC, which is missing here. How does the splitting of LIC

into five organisations. bring the spirit of trusteeship into the organisation? Once we agree that it is because of the structure that these are the shortcomings and we think that the solution lies, as you say, it has become imperative to restructure the LIC Corporations into manageable units, then I would say that those who are pleading for State organisations would have much stronger case than splitting up into five the solution would be found. All that I am saying is that your argument goes to strengthen the case for still smaller organisations even at the State level rather than strengthen the case of this Bill. This Bill contemplates wide organisations which have gigantic structures. Unless we diagnose the illness properly and think that it is not because of the structure that there are shortcomings of this kind, that we don't go to the villages, we will be moving in a wrong direction. Could you explain this?

SHRI N. CHAKRAVORTY: One thing is that if we go to the Debate on the LIC Bill in the Lok Sabha in 1956, you will find that there were certain Hon. Members, who raised the question that it should be split up into more than five or ten units. These things were there also at that time. But ultimately a stand was taken, no, begin with one organisation. And if it is not found suitable, then we will go in for a number of autonomous corporations.

Now the question is, you are telling about the State level corporations.

SHRI LAL K. ADVANI: I am saying about the dimensions.

SHRI N. CHAKRAVORTY: Let us begin with 5 and see later on.

SHRI LAL K. ADVANI: 'To begin with, five' means the superstructure is going to be costlier.

SHRI N. CHAKRAVORTY: But all the expenses of today would exist even if it is split up into 5 corporations.

SHRI LAL K. ADVANI: After the split up, these zones become financially non-viable. This danger or risk is there very much and so the problem will become still more acute. There will be lack of direction, lack of perception, lack of

enterprise and lack of trusteeship, and tomorrow it will be financially non-viable.

SHRI N. CHAKRAVORTY: So far as the development projects are concerned, all development projects are being taken care of by the Planning Commission and other official agencies and they have been able to invest where there is no scope for improvement. The entire country should be developed in such a manner and the Government will take care of it.

SHRI NAND KISHORE BHATT: Do you mean to say that the LIC should be split into five different corporations? The question that was asked by my learned colleague, Mr. Advani, is the question about trusteeship. Do you mean to say that by this divided responsibility it should be possible for people to enter into competition? Also please explain whether you would like the corporations to be at a particular place or you want to have these corporations at different places so that they can do more business and get more and more people involved in industries.

SHRI N. CHAKRAVORTY: I would be happy if it is given an all India character and composition as you find it in the United India insurance Company, the Oriental Fire and General Insurance Company the New India Insurance Company which are of all India character. If it is done, it will give better results. We have to create the trusteeship. Committed personnel is a 'must'.

SHRI BRAJAMOHAN MOHANTY: Mr. Chakravorty, you have a long experience. Apart from other aspects, what is your experience? Does your experience indicate that by splitting up the corporation, it will be very much helpful for spreading the business and improve the efficiency of the Administration?

SHRI N. CHAKRAVORTY: I would like to make one point. From 1981 or 1982 onwards the process of decentralisation started and the policyholders who were earlier visiting a particular office were at a loss to find where to go, and how to go in the beginning. But to go to a small office is better for them. There is better service there and also better understanding.

SHRI BRAJAMOHAN MOHANTY: Your impression is that the growth of business will be much more. Would you like further decentralisation?

SHRI N. CHAKRAVORTY: It would be a continuing process, Sir. Sir, huge claims are pending, maturity is not being paid. You will be surprised to know from the LIC statistics that less-affluent people have been dragged to the court. About 331 cases are pending in the court.

SHRI BRAJAMOHAN MOHANTY: Some doubts have been expressed that being a split-up organisation, the volume of expenditure would be much more. Ultimately, the whole business will be running into loss and it may collapse at one stage. What is your impression?

SHRI N. CHAKRAVORTY: One thing is there. When a new venture has been taken up, there are expenses initially. But they can be made up by the subsequent progress of the institution. Similarly, if there is any initial expense, that can be overcome.

SHRI BRAJAMOHAN MOHANTY: Would you say the proportion of the policyholders who are not income-tax payers?

MR. CHAIRMAN: I can give you the number, if you like.

SHRI NURUL ISLAM: Can you enlighten me that if the LIC is split into viable efficient units, will it affect the interests of the employees?

SHRI N. CHAKRAVORTY: When we opted for nationalisation from the private insurance company, at that time also we thought that it would be like that. We did not know what would be our fate.

SHRI SUKOMAL SEN: In page 7 of your memorandum, you have mentioned the main objectives of savings. I would ask clarifications from you. You say, independent structure of the LIC is only standing in the way of its development and it is lack of effective mobilisation. Do you have other experiences also that there are certain defects, other lacunae which are standing in its way?

SHRI N. CHAKRAVORTY: There are other defects also. I have said that the less affluent people have been dragged to the court by the LIC.

SHRI SUKOMAL SEN: Then, how do you think that the splitting of the LIC would lead to growth of business and it will take to rural areas?

SHRI N. CHAKRAVORTY: Sir, LIC has already started this process. Only after hammering the split on its head, it is not going ahead for the decentralisation, but opening more offices covering untapped areas so far LIC has to go another 57 District Head Quarters.

SHRI SUKOMAL SEN: After the nationalisation of LIC, it is functioning as an independent structure. Considering the growth of LIC since nationalisation, you have said, there has been considerable growth. You have already agreed. This independent body is opening divisions after divisions. In Silchar also, it is functioning well. What is the difficulty to set up further divisions?

MR. CHAIRMAN: If I understand you correctly, you mean, what do you mean by considerable growth and desired growth? Is there any difference between the two?

SHRI N. CHAKRAVORTY: One thing is from the statement of objects and reasons given by the hon. Finance Minister in the Bill, he has indicated these are the points. They have done certain business. I am not condemning everything. But we are not in a position to commit but much more can be done.

SHRI SATISH AGARWAL: Since the witness is not well, I do not want to tax him more. Just for clarification purposes, I would put some questions.

You just stated that you had 37 years' record in the LIC. Prior to LIC where were you working. in which particular company and for how many years?

SHRI N. CHAKRAVORTY: I was in jail in 1942 during Quit India move-

ment. I am receipant of "Tamrapatra" as a freedom fighter. After coming out, I started my career as labourer starting from Rs. 10 weekly. Then, I joined the insurance industry. I was in Ruby Insurance Company. About 8 to 10 years, I was working there.

SHRI SATISH AGARWAL: What was your experience with the Ruby Insurance Company with regard to the settlement of claims, with regard to growth of business etc.?

SHRI N. CHAKRAVORTY: I wanted to serve the insurance industry. With that spirit, I joined the insurance industry. I was associated with the claims department. I worked for the speedy settlement to claims of the policy holders.

SHRI SATISH AGARWAL: May I take it that the insurance companies before the nationalisation were more responsive to the policy-holders' requirements, their needs, towards the settlement of their claims and all that and that the efficiency level has gone down after the nationalisation of insurance?

SHRI N. CHAKRAVORTY: Earlier, there were private insurance companies and there was more competition. They had to give some service to policy-holders in order to attract more and more insurance business. There were 245 private insurance companies in competition with one another. There is now only one monolithic organisation, namely, the Life Insurance Corporation. Of course, there may have been certain cases where the insurance people cheated many persons. I am not saying that the Ruby Insurance Company has done it. But some other insurance companies might have done it.

SHRI SATISH AGARWAL: According to you, the competition in an industry leads to a better efficiency. So

far as life insurance business in India is concerned, are you aware of any democratic country where you find complete nationalisation of insurance?

SHRI N. CHAKRAVORTY: Every country differs in its own position, in its own economic structure, in its own social and cultural structure and so on. I cannot imagine about what is happening in any Western country. I can think only about my own country.

SHRI SATISH AGARWAL: You have advocated that the LIC should be split up into five corporations because that will lead to more efficiency. Do you agree that, apart from these five corporations, if there are one or two corporations in the private sector under Government control and regulation by law of Parliament, then there will be more competitiveness and these corporations will render better service to policy-holders?

SHRI N. CHAKRAVORTY: I do not support this idea.

SHRI SATISH AGARWAL: How is it that the insurance business in the rural sector has not grown much?

SHRI N. CHAKRAVORTY: It is due to lack of insurance consciousness and proper education in the rural areas. There should be more and more insurance agents in the rural areas and more and more people should be recruited from the local areas.

MR. CHAIRMAN: Thank you very much.

SHRI N. CHAKRAVORTY: Thank you. I may be permitted to say that LIC Bill is not ill conceived. It is neither against the employees nor the policy-holders and it is in the larger interest of all concerned.

The witnesses then withdrew.

II. All India N. G. Audit and Accounts Association, New Delhi-60.

Spokesman:

Shri S. K. Vyas,
President.

(The witness was called in and he took his seat)

MR. CHAIRMAN: Kindly introduce yourself.

SHRI S. K. VYAS: I am Shri S. K. Vyas, President, All India Non-gazetted Audit and Accounts Association, New Delhi.

MR. CHAIRMAN: Before you start, I may point out that in accordance with the provisions contained in Direction 58 of the Directions by the Speaker, your evidence shall be treated as public, and is liable to be published, unless you specifically desire that all or any part of the evidence given by you should be treated as confidential. Even though you might desire your evidence to be treated as confidential, such evidence is liable to be made available to the Members of Parliament. You have submitted this memorandum. Now you will be answering the questions.

Do you have anything to say in addition?

SHRI SATISH AGARWAL: Whatever is stated in the Memorandum need not be repeated again.

SHRI S. K. VYAS: I have nothing to say.

Q. 2

MR. CHAIRMAN: Do you know that the functions of the bank and the life insurance are quite different?

SHRI S. K. VYAS: Yes.

MR. CHAIRMAN: How do you differentiate these two?

SHRI S. K. VYAS: The object of life insurance is to initiate a system of savings or the habit of saving. To

that extent, I think LIC serves the same purpose which the banks do.

MR. CHAIRMAN: Has LIC achieved its object or not?

SHRI S. K. VYAS: It has achieved its object wherever it has been operating and after nationalisation, it has rendered marvellous service.

MR. CHAIRMAN: What is the percentage of people who have been insured in our country?

SHRI S. K. VYAS: That may not be very much. It is very insignificant. The number of people who have the capacity to save is also very small.

MR. CHAIRMAN: What is the percentage of such people who can save in our country?

SHRI S. K. VYAS: Those who are below the poverty line cannot possibly contribute.

MR. CHAIRMAN: You mean the number of people below poverty line is 50%.

SHRI S. K. VYAS: It is more than 50%.

MR. CHAIRMAN: What is the percentage?

SHRI S. K. VYAS: According to me it will be near about 60 to 70 per cent.

MR. CHAIRMAN: 70% of the population are below the poverty line?.. Where did you get this figure? You have said one thing about the system of functioning that the functioning of LIC is completely different from the banking system.

SHRI S. K. VYAS: I will submit that the LIC also to a certain extent manages to initiate a scheme to inculcate the habit of saving among those who save and to that extent banking and life insurance are akin. But if you want to go to the rural areas which is one of the objectives of this Bill, you will have to adopt the policy which is being adopted in the banking side for a few years if there

are losses and it is not financially viable, then also it is permitted to open a Branch whereas it has not been the practice in the LIC to allow any such Branch to be opened if it is not financially viable. That was the reason.

SHRI M. ARUNACHALAM: You have stated in your memorandum that the rural business in the LIC as shown a tremendous boost and that constitutes 30 per cent of the total business. But the figures given show a different picture. How do you reconcile it?

SHRI S. K. VYAS: Most of the people living in rural areas are poor people. So naturally they may not be attracted. Then not only that, even those who can afford will not like to take LIC policy unless they are very ably persuaded because they will rather like to acquire more land, more mechanical instruments or better inputs in their agricultural operations and ultimately they might have acquired some such properties which can easily be changed as and when they need. Therefore, this explains why in the rural areas the scope is not so big as in the urban areas.

SHRI M. ARUNACHALAM: But you have told that the rural business has been boosted.

SHRI S. K. VYAS: It has been boosted in comparison—despite all restrictions and limitations. It cannot be said that there has not been a rural boost—comparatively speaking.

SHRI BRAJA MOHAN MOHANTY: Can you suggest any alternative through which we can ensure speedy disposal of disputes?

SHRI S. K. VYAS: At present most of the cases are being settled without any cost involved on the part of the policy holders and, therefore, to that extent the present provisions is introducing something which is anti-

policy holders. He has to pay Rs. 500.00.

MR. CHAIRMAN: He is not to pay Rs. 500.00. If you read the provision it says he may pay upto Rs. 500.00.

SHRI S. K. VYAS: At present he is not required to pay.

MR. CHAIRMAN: How many claims are pending today?

SHRI S. K. VYAS: Not very big number. In terms of percentage it is decreasing.

MR. CHAIRMAN: What have you to say about Service tribunals? Will it help the employees?

SHRI S. K. VYAS: This idea is being introduced for the first time. First, who are going to be members of these tribunals?

MR. CHAIRMAN: Persons having experience of law.

SHRI S. K. VYAS: He will not be an acting judicial officials and only a retired judicial official. Secondly, it is said that they will not be associated with any political party. Therefore, the right of the citizen is being curtailed.

MR. CHAIRMAN: Who will appoint the tribunals?

SHRI S. K. VYAS: The Tribunal should be appointed by the Board. Shri Braja Mohan Mohanty:

SHRI BRAJAMOHAN MOHNATY: Do you think that the present system of adjudication of disputes is satisfactory or not? Do they need any improvement or not?

SHRI S. K. VYAS: It is satisfactory. There is the Industrial Disputes Act. Other provisions are there.

SHRI BRAJA MOHAN MOHANTY: You say it is satisfactory,—no necessity or improvement. All right.

Another thing is about the political right of Govt. employees and employees of the Corporation. Not only it

is about insurance employees, but it is regarding all Govt. and public sector employees. Should these people be given political right to fight the elections and to carry on their political association?

SHRI S. K. VYAS: Yes. As a matter of fact, our Indian polity is more or less framed on the basis of the parliamentary system of Great Britain. Civil servants in Great Britain have their political rights. If they become Members of Parliament they can come to Parliament and they can take their seats in Parliament. It counts for their service also. After the term is over, they can go back to Government service. It is permitted.

SHRI BRAJA MOHAN MOHANTY: You say that Government employees and public sector employees should be given political right to be associated with the political parties and to put themselves up as candidates and to contest the elections?

SHRI S. K. VYAS: Why not? They should have these rights.

SHRI SATISH AGARWAL: I think your association has not directly to do with Insurance Employees Association I think they are not members of your association. Is your association affiliated to any All India body?

SHRI S. K. VYAS: No.

SHRI SATISH AGARWAL: Excepting as a matter of fraternity, your association has nothing to do with the insurance association directly.

SHRI S. K. VYAS: Not directly.

SHRI SATISH AGARWAL: You don't know much about insurance corporation problems.

SHRI S. K. VYAS: I know much about their problems; this is being discussed off and on.

SHRI SATISH AGARWAL: When they went on strike did your association join the strike?

SHRI S. K. VYAS: No.

SHRI SATISH AGARWAL: They made protests; they organised protest

days. They presented Charter of Demands. Are you aware?

SHRI S. K. VYAS: Not necessarily.

SHRI SUNIL MAITRA: Do you address them; do you support them; you address them?

SHRI S. K. VYAS: Yes, certainly.

SHRI SUNIL MAITRA: You have given every support to their Charter of Demands.

SHRI S. K. VYAS: Yes.

SHRI SUNIL MAITRA: There is fraternity between LIC employees and your association?

SHRI S. K. VYAS: Yes, very direct.

SHRI SUNIL MAITRA: Sir, we can put questions to them.

SHRI SUNIL MAITRA: One of the objects of splitting the LIC into so many corporations is to enable them to reach rural areas and help the efforts in the mobilisation of resources.

Can you throw light about what is the percentage of this, what is the division of this, between urban and rural areas so far as resource mobilisation from banking industry from rural and urban sectors are concerned?

SHRI S. K. VYAS: Sir, I don't have this figure with me just at present.

MR. CHAIRMAN: Now, we adjourn because the third witness has not come. Tomorrow we will meet again.

SHRI SATISH AGARWAL: Before we adjourn I would like to make one submission. Now we are calling so many witnesses for evidence. I want to know whether all this evidence will form part of our report which will be presented to Parliament. In that case I fear that more than 500 Memoranda will be received by us and if they form part of our report, then the report will be running into 5000 pages and over and above this we will be visiting many places all over the country and taking evidences. Therefore,

what I would suggest is that you ask the witness to give their viewpoints apart from what they have already stated in their Memoranda. Then, you can ask them 3 or 6 questions and ask them to be brief in their answers.

MR. CHAIRMAN: I know that it is not practicable to take evidence of each and every witness. I have already received 700 Memoranda. I know that

it will take 3 or 4 years to complete them. Therefore, my suggestion is that we will restrict the number of the witnesses to be called for evidence. When a witness is called for evidence, we should see that do not take more time and we should be very brief in our questions and clarifications.

(The witness then withdrew)

(The Committee then adjourned).

**RECORD OF EVIDENCE TENDERED BEFORE THE JOINT COMMITTEE ON THE LIFE
INSURANCE CORPORATIONS BILL, 1983**
*Wednesday, 11 April, 1984 from 1500 to 1620 hours, Committee Room No. 62,
First Floor, Parliament House, New Delhi.*

PRESENT

Shri Mool Chand Daga—Chairman

MEMBERS

Lok Sabha

2. **Shri Satish Agarwal**
3. **Shri Dileep Singh Bhuria**
4. **Shri Nurul Islam**
5. **Shri Sunil Maitra**
6. **Shri Ram Pyare Panika**

Rajya Sabha

7. **Shri Lal K. Advani**
8. **Shri Nand Kishore Bhatt**
9. **Shri Vithalrao Madhavrao Jadhav**
10. **Shri Sudhakar Pandey**
11. **Shri Sukomal Sen**

SECRETARIAT

Shri S. P. Gupta—Chief Personnel and Executive Officer.

Shri R. S. Mani—Senior Legislative Committee Officer.

**REPRESENTATIVES OF THE MINISTRY OF FINANCE (DEPTT. OF ECONOMIC AFFAIRS)
(INSURANCE DIVISION)**

1. **Shri A. S. Gupta—Current-in-Charge and Managing Director, LIC.**
2. **Shri R. K. Mahajan—Controller of Insurance.**
3. **Shri S. K. Purkayastha—Director (Insurance).**
4. **Shri S. D. Raheja—Under Secretary.**

**REPRESENTATIVES OF THE MINISTRY OF LAW, JUSTICE AND COMPANY AFFAIRS
(LEGISLATIVE DEPARTMENT)**

1. **Shri Jagdishwar Narain—Deputy Legislative Counsel**
2. **Shri A. C. Mahapatra—Attache (Orissa)**
3. **Shri K. N. Gopinath Nair—Attache (Kerala)**

WITNESSES EXAMINED

Democratic Youth Federation of India, V. P. House, New Delhi.

Spokesmen:

- (i) **Shri Hannan Mollah, M.P.,
General Secretary.**
- (ii) **Shri M. A. Baby,
Joint Secretary.**

II. Electricity Employees' Federation of India, New Delhi.

Spokesmen:

- (i) **Shri Jogendra Sharma**
- (ii) **Shri Jagadish Chand**

I. Democratic Youth Federation of India, V.P. House, New Delhi.

Spokesmens:

- ★ (i) Shri Hannan Mollah, M. P.,
General Secretary.
- (ii) Shri M. A. Baby, Joint Secretary.

(The witnesses were called in and they took their seats)

MR. CHAIRMAN: Before you start, I may point out that in accordance with the provisions contained in Direction 56 of the Directions by the Speaker, your evidence shall be treated as public, and is liable to be published, unless you specifically desire that all or any part of the evidence given by you should be treated as confidential. Even though you might desire your evidence to be treated as confidential, such evidence is liable to be made available to the Members of Parliament.

Now, do you want to state anything more than what you have said in your Memorandum submitted to us?

SHRI HANNAN MOLLAH: Yes, Sir.

MR. CHAIRMAN: Apart from what you have mentioned in your Memorandum, do you want to make any other points before this Committee?

★ SHRI M. A. BABY: We want to make a few observations on our own. Now, being the organisation representing 3 (three) million youths of our country, we think that we have the obligation to explain our view points to this august Committee about the implications and repercussions if this Bill is adopted and implemented. Moreover, a sizeable section of the members of our organisation may aspire to join this premier financial institution, that is, L.I.C., and more than half the number of the members of our organisation are educated, having qualified to apply for jobs in the LIC. From that point of view also, we would like to place

some of our view points before this august body.

At the very outset, we would like to state that some of the provisions of the LIC Bill are found to be undemocratic, to be precise. For example, our Constitution guarantees right to have belief in various political viewpoints and ideologies. Whereas certain provisions in this Bill restrict employees of LIC to have any political ideologies. In this connection, we have been informed that there was a judgement from the Supreme Court in the case of Sukh Dev Singh *versus* the Government of India, in which the judgement stated that the LIC employees can have political activities. But certain provisions of the present Bill do not allow them to do so.

MR. CHAIRMAN: Can you explain to us as how they have been deprived of this right?

SHRI M. A. BABY: For example, the employees of the LIC wanted to contest the Elections in UP and they were not allowed to do so. One employee went to the Court and his case considered along with Sukh Dev Singh's case. Even the employee's family members are deprived of taking part in any political Party's activities.

MR. CHAIRMAN: Do you want that the people should be allowed to participate in the elections or they should be allowed to contest the elections?

SHRI M. A. BABY: They should be given the right to contest the elections, according to us. According to this Bill, they are prevented from having posters pasted or hung in their houses.

Then coming to other point, the splitting of the LIC is not in the interest of national integration. It has been mentioned that the LIC has become unwieldy. Here, certain facts and figures tell us that there are still bigger organisations, for example, the State Bank of India with one lakh and fifty thousand employees and

nearly more than 6000 branches spread all over the country. Where the LIC is having 48,000 employees with 990 branches in the country. If the State Bank of India can function with so many employees and so many branches, we do not understand the logic behind the idea of splitting the LIC into five zones.

MR. CHAIRMAN: What is your viewpoint on this?

SHRI M. A. BABY: Even if we divide it into 5 zones and have 5 Zonal Corporations, again this question of remaining unweildy continues. The Southern Zone comprising of Andhra Pradesh, Karnataka, Tamil Nadu and Kerala, will be bigger than the European countries put together.

Lastly, I want to add one point. We do not understand how the splitting of this Organisation into 5 independent zones is going to help us, especially when we are advocating for national integration. If we divide it into 5 zones, the idea behind the national integration will be thwarted. They are contradictory.

SHRI SUKOMAL SEN: There are about 21 nationalised banks and they have thousands and thousands of branches. Do you mean to say that they are against the national integration?

SHRI M. A. BABY: They develop a natural deficiency.

SHRI SUKOMAL SEN: Do you agree that the division of labour enhances the efficiency?

SHRI M. A. BABY: Yes. But we have to understand that there are other problems.

SHRI SUKOMAL SEN: If it is divided into 5 zones, how will it affect?

SHRI HANNAN MOLLAH: In relation to this question, we have explained in our Memorandum.

SHRI M. A. BABY: In our Memorandum, we have also explained that splitting it into 5 zones will create

so many other problems. For example, Eastern and the Central zones have earned less profits, according to the data we have today. Now, already we have the problem of regional imbalance so far as the development is concerned.

SHRI SUKOMAL SEN: Do you mean to say that by splitting it into 5 zones, the regional imbalance will increase?

SHRI M. A. BABY: Yes. We fear so, because the money that is earned in a zone will be utilised for development purpose in that particular zone only. If there is only one unit, then the funds will be pooled and in the custody of a Central Zone. In that case, they can take into account of various regions and invest money in the less developed areas.

MR. CHAIRMAN: Please see your Memorandum—page 1. You have said about some inherent deficiencies. Will you please explain to me what are the remedies for removing the deficiencies

SHRI M. A. BABY: For example, we do not have LIC branches nearly in 50 districts centres of our country. This itself is a sound proof of one of the deficiencies.

MR. CHAIRMAN: Now, India has population of 72 crores and only about 1.74 crores are insured. Do you think that this is a satisfactory number?

MR. CHAIRMAN: What is the number of policies lapsing every year?

SHRI M. A. BABY: Unfortunately, we do not have that figure.

SHRI VITHALRAO MADHAVRAO JADHAV: You said that decentralization would affect rural development. You have said that a lot of rural business is done by LIC nowadays. What is its proportion vis-a-vis urban business? There is some equation in the economic growth of urban and rural areas. Our Chairman just now said that 1.7 crores of people have been insured out of

our 70-crores population. Can you give similar figures with regard to rural areas where 70 per cent of our population lives?

★ I feel that LIC's business is centralized in urban areas. We want to defend the interests of employees; but at the same time we have to look to the interests of rural people also. After bank nationalization, for example, though we are not satisfied with the financial arrangements in rural areas, the intensity of banking functions has grown 10 or 15 times there compared to what it was before bank nationalisation. From that point of view, do you think that the need for rural development and removal of economic backwardness can be met through decentralization of LIC?

SHRI M. A. BABY: Though we do not have the ratio of rural and urban investments, we know that the former is lagging behind, compared to urban development, with regard to the number of people insured. But we have given the reasons for it, and said that the rural India is a vast area of bottomless backwardness. The policies pursued by the Indian ruling class since independence, are the reasons for this backwardness. This is not related directly to the policies of LIC apparatus; and until and unless the socio-economic system is changed, we are very sure that this imbalance cannot be removed. But we do not say that now there is no possibility of improving the situation. Of course, more people can be insured in rural areas if we evolve better ways and means. But better ways and means will not come from the division of LIC into five zones. We are for decentralization, but we have to make a distinction between decentralization and division. Decentralization can be undertaken, having LIC as one unit. But division is different.

MR. CHAIRMAN: You have said this so many times.

★ SHRI NURUL ISLAM: Do you agree that the rural potentials are not adequately tapped by these agencies?

SHRI M. A. BABY: Yes.

SHRI NAND KISHORE BHATT: Do you think that the present system has been helpful in this direction and how it could be further improved? Except to introduce an element of healthy competition, I am afraid all these things are not going to improve it further.

SHRI M. A. BABY: The deficiencies are there. The method of overcoming them is not by splitting LIC into zones. Of course if it splits into 5 zones everything will not be o.k., Moreover, that will be a hasty decision.

SHRI NAND KISHORE BHATT: What are your concrete suggestions to strengthen it further?

SHRI M. A. BABY: What prevented the LIC to start branches in headquarters where they do not exist today? They could have been started.

SHRI SUNIL MAITRA: There is a case in U.P. concerning an LIC employee. So far as his political right is concerned, are you aware that an employee was an active member of the Congress Party and he wanted to contest an election but the LIC management told him that he was not entitled to do so?

SHRI M. A. BABY: Yes.

SHRI SUNIL MAITRA: The case ultimately went to the Supreme Court. The Supreme Court gave a judgement saying that the LIC employees or the employees of the statutory corporation created by Act of Parliament are not government employees. Are you aware of this judgement.

SHRI M. A. BABY: Yes.

MR. CHAIRMAN: Can you give me the reference?

SHRI M. A. BABY: I think it is 1975 LLJ (I) page 399.

MR. CHAIRMAN: Have you gone through the judgement?

SHRI M. A. BABY: I have not yet gone through it. I shall go through it.

MR. CHAIRMAN: What is the name?

SHRI M. A. BABY: It is Sukhdev Singh and others, I think.

MR. CHAIRMAN: What was the finding of the Court?

SHRI M. A. BABY: I have not yet seen.

श्री सुधाकर पाण्डेय : जब यह जज-मेंट सुप्रीम कोर्ट का जो देश की सबसे बड़ी कोर्ट है, हो गया, उसके बाद फिर चुनाव क्यों नहीं लड़ा गया ? इसके बाद कोई चुनाव लगा या नहीं ?

श्री एन० ए० बेबी : तब तक चुनाव खत्म हो गया था। उसके बाद दूसरे चुनाव के लिए ही कोई खड़ा हो सकता था।

श्री सुधाकर पाण्डेय : 75 के बाद दो दूसरे चुनाव भी हुए।

MR. CHAIRMAN: You can go now.

SHRI SUNIL MAITRA: After this judgement one LIC employee lost his job.

(The witnesses then withdrew).

MR. CHAIRMAN: Before you start, I may point out that in accordance with the provisions contained in Direction 58 of the Directions by the Speaker, your evidence shall be treated as public, and is liable to be published, unless you specifically desire that all or any part of the evidence given by you should be treated as confidential. Even though you might desire your evidence to be treated as confidential, such evidence is liable to be made available to the Members of Parliament.

II. Electricity Employees Federation of India, New Delhi

Spokespersons

(i) Shri Jogendra Sharma

(ii) Shri Jagdish Chand

(The witnesses were called in and they took their seats)

MR. CHAIRMAN: Apart from your memorandum, do you want to say anything on this Bill?

SHRI JOGENDRA SHARMA: We are of the opinion that this monolithic set up of the LIC is not going to create any further hurdle. There is every scope to improve upon it. We think that the largeness of the size of the Corporation is inherent in the largeness of the country because this Corporation has to work on a national level. The post-zonal corporations also will not be small in size. For example, the Southern Zonal Corporation will include the States of Andhra Pradesh, Karnataka, Tamil Nadu, Kerala and the Union Territory of Pondicherry. The size of that corporation will be bigger than any European State except USSR. So, it cannot be said that the proposed zonal corporations will also be small in size. If we accept this argument then tomorrow there may be a demand that these zonal corporations are also big in size, so there should be State-wise corporations. So there is no end to that. We see that the State Bank of India, having more than five lakh employees and with more than 8,000 branches is functioning well and is being well managed with only one organization. So, we do not understand how the LIC with only 48,000 employees and with about 900 branches cannot be managed with the present set up. We think that the proposed split will not be in the interest of the LIC or in the interest of the policy-holders.

MR. CHAIRMAN: All this you have stated in your memorandum. I said if you want to add anything to that, you tell us about those points.

SHRI JOGENDRA SHARMA: I am coming to that, Sir. We feel that the split of the LIC will change the present investment pattern because in the present set up, the earnings of the LIC are pooled at one central place and then according to the plans of the Government and the needs of the society, those earnings are invested in various parts of the country irrespective of the fact that the earning is

made from this part of the country or from that part of the country. But, if zonal corporations are set up, then the regional feeling will come up and local pressure may be there that since this earning has been made from that zone so the investment should also be made in that zone itself and not in other zones. In this way, in the more developed zones the earnings will be more but in backward zones like the Eastern zone, the earnings will be less. So, our feeling is that by creating the zonal corporations the regional imbalance will be more.

MR. CHAIRMAN: It is not the zonal corporation, it is the Central Government which will allot the money. It is the Central Government and the Planning Commission which have to decide.

SHRI JOGENDRA SHARMA: But Sir, as we see today, in our country the regional feelings are developing. Regional forces, separatist forces and provincial forces are working. When these zonal corporations are set up, there will be a demand that since this earning is made from this part of the country, so, the investment must also be made in this part only. There will be such pressures. The apprehension is that this will create regional imbalance.

Similarly, as we know, today in Eastern and Central zones, LIC business is less as compared to the Western and Southern zones. Because of the cost viability policy, of the Government which is in practice at present, we will see that in those areas the business will be less and insurance facilities will also be less. It is possible that the Eastern and Central Corporations will run into losses and will gradually reach the stage of liquidation. Then the vested interests in the society will say this experiment has failed, so those units should be de-nationalised and handed over to the private sector. Even now, when certain public sector units are not doing well, there is a demand from the private sector that those units should be handed over to them.

MR. CHAIRMAN: In your memorandum you have stated with reference to clause 24 that the policy-holders have been denied legal remedy in case of disputes about claims. Can you substantiate it?

SHRI JOGENDRA SHARMA: When insurance is split up, because of the top heavy management, the insurance will become costly. For example before the split of GIC, in 1971 the rate of premium for third party was Rs. 18. It has now been increased to Rs. 48. The business will vary from corporation to corporation. Naturally, the premium and bonus will be different. The electricity employees can be transferred anywhere in India. Today I am in the northern sector. Suppose I am transferred to the southern sector, if the LIC units are different it will affect me adversely.

MR. CHAIRMAN: How many claims are pending?

SHRI JOGENDRA SHARMA: According to my information, as on 31st March 1983, 13.6 per cent of the claims were outstanding. We are concerned with the general effect of this Bill, how it will affect the policy-holders adversely.

MR. CHAIRMAN: Today the amount involved in the claims outstanding is Rs. 29,76,23,000 and odd.

SHRI JOGENDRA SHARMA: It is only 13.6 per cent, as on 31-3-83. When we compare ourselves with other advanced countries like the United States, where they have more developed technology, we find that we are better off. In the United States, Prudential Company has 20.10 per cent outstanding claims, Metropolitan 18.01 per cent and Equitable 18.01 per cent. So, our rate of outstanding claims is the lowest. So you know what are the debt claims.

SHRI JOGENDRA SHARMA: As a trade union organisation we are more concerned with the general effects of this Bill and how it is going to affect the trade union, employees, policy-

holders and the national interest at large.

MR. CHAIRMAN: What do you say about the suggestion that these present Corporations should be split up into five independent autonomous corporations with jurisdiction to carry out their business in any part of the country? Don't you think it will have an integrated approach? Will there be better effects?

* SHRI JOGENDRA SHARMA: As far as competition part is concerned, it is already there. The agents and the Field Officers etc. are already in the competition, because their earning depends on the business they bring to the Corporation. So, any other competition cannot be visualised. This is now under one Corporation set up.

MR. CHAIRMAN: Question is by establishing five independent corporations will there be a healthy competition?

SHRI JOGENDRA SHARMA: Our experience with the GIC shows that it has not helped. Similarly this will not help in the LIC. As it is said about the LIC that its largeness has become unmanageable, when there are five corporations then also probably this problem of largeness and the question of manageability will come in relation to five corporations. I don't think this will help.

श्री बिलीप सिंह भूरिया : आप यह जानते हैं कि इस देश में 80 प्रतिशत ग्रामीणी गांवों में रहती है लेकिन एल आई सी अभी तक गांवों में नहीं फैली है, इस का क्या कारण है ?

श्री योगेन्द्र शर्मा : हमारे फेडरेशन की यह समझ है कि इस के लिए सरकार की नीतियां जिम्मेदार हैं। हमारी सरकार जो नीति चला रही है कि एक ब्रांच को खोलने में जो खर्च आता है और जो बिजनेस मिलता है वह उतना होना चाहिए कि जो खर्च को मीट कर सके। कास्ट-प्लस की बात इस में सामने आती है जिस के कारण ये ब्रांच गांवों में नहीं

खुल पाये हैं। गांवों की बात तो छोड़िए अभी 50 जिले के हैडक्वार्टर्स ऐसे हैं जहां एल आई सी का कोई दफ्तर नहीं है। बैंकों को देखिए तो कोई बैंक अपनी ब्रांच खोलता है तो तीन साल तक मुनाफा या नुकसान नहीं देखता है जब कि एल आई सी में पहले ही साल उस को मुनाफा होना चाहिए। सरकार अपनी नीति को बदल दे और कहे कि मुनाफा मकसद नहीं बल्कि सेवा करना मकसद है तो यह काम हो सकेगा।

श्री बिलीप सिंह भूरिया : सरकार की यह भी नीति है कि ब्रांच अधिक से अधिक खुले और लोगों को सेवा मिले परन्तु जो लोग इस में काम करते थे वह अधिकतर शहरों के लोग थे, गांवों में जाना पसंद नहीं करते थे, इसलिए ये ब्रांच नहीं खुल सकीं, क्या यह बात सही है ?

श्री योगेन्द्र शर्मा : नहीं, हम इस को स्वीकार नहीं करते हैं। हम ट्रेड यूनियन में काम करते हैं, एल आई सी के लोगों के साथ भी काम करना पड़ता है। वह यह कहते हैं कि एल आई सी का बिस्तार नहीं हो रहा है, इस को गांवों के अन्दर जाना चाहिए, इस का बिस्तार होना चाहिए वे कभी भी इस के विरोध में नहीं हैं।

श्री बिलीप सिंह भूरिया : देश में अगर किसी को ज्यादा तनख्वाह मिलती है तो वह एल आई सी के एम्पलायी को मिलती है, आप इस से सहमत हैं ?

श्री योगेन्द्र शर्मा : मैं बिल्कुल इस से सहमत नहीं हूँ। जितनी तनख्वाह छन को मिलनी चाहिए उतनी नहीं मिलती है। एल आई सी की कुल ग्रामिणी का केवल 6.28 प्रतिशत उन को आर्थिक सुविधाओं के रूप में मिलता है।

समापति महोदय : एल घाई सी के एम्प्लायी को जो तनख्वाह और बेंचोफिट्स मिलते हैं वह दूसरे लोगों की तुलना में ज्यादा मिलते हैं ?

श्री योगेन्द्र शर्मा : जब हम टोटल परसेंटेज लेते हैं कितना प्रतिशत ग्रामवनी का वेतन और आर्थिक सुविधाओं के तौर पर दिया जा रहा है तो हम पाते हैं कि 6 परसेंट से कुछ ज्यादा मिलता है जो कि कम है। दूसरी बात हम देख रहे हैं कि सरकार ने एक नोटिफिकेशन के जरिए उनकी तनख्वाह की उच्चतम सीमा निर्धारित कर दी है।

समापति महोदय : एल घाई सी के ड्राइवर को क्या मिलता है।

श्री योगेन्द्र शर्मा : यह मैं अभी नहीं बता सकता।

SHRI SUNIL MAITRA: Are you aware that an Assistant in the Life Insurance Corporation of India at the 19th stage of his scale of pay receives more than Rs. 200/- less than a bank employee?

SHRI JOGENDRA SHARMA: Yes, I know.

SHRI SUNIL MAITRA: All right. No more questions.

SHRI RAM PYARE PANIKA: I want to know what is the initial pay of a driver and a peon in LIC.

श्री योगेन्द्र शर्मा : एल घाई के प्यून या ड्राइवर का वेतन क्या है यह मुझे मालूम नहीं है।

मुझे लगता है कि इस मिल का बोधित उद्देश्य जो बताया गया है वह नहीं, बल्कि कर्मचारी ही इसका असली उद्देश्य है।

SHRI NURUL ISLAM: How do you presume that? What is the argument?

श्री योगेन्द्र शर्मा : मैं इसी पहलू पर आ रहा था। ऐसा लगता है कि अभी तक उन्होंने अपने संबंधों, अपनी एकता और संगठन के माध्यम से जो ट्रेड यूनियन अधिकार, आर्थिक सुविधाएं और राज-नैतिक अधिकार प्राप्त किए वे उन पर कुठाराघात करने के लिए, उन को छीनने के लिए और उन की एकता को समाप्त करने के लिए ही यह बिल लाया गया है।

कई माननीय सदस्य : नहीं नहीं।

श्री बिलीय सिंह खूरिया : ऐसा कौन सा क्लॉज है वह बताइए।

श्री योगेन्द्र शर्मा : क्लॉज 30 से 39 आफ चैंप्टर सिक्स एंड सेबेन। अगर आप इजाजत दें तो मैं पढ़ कर सुना दूँ जिस में एल घाई सी के कर्मचारियों को इस बिल के माध्यम से इंडस्ट्रियल डिस्प्यूट्स ऐक्ट के दायरे से बाहर रखा जा रहा है। अभी वे कंसोलिडेशन मशीनरी में जा सकते हैं, लेबर ट्रिब्यूनल में जा सकते हैं, कोर्ट्स के अंदर जा सकते हैं। इस बिल के अंदर प्रावधान रखा है सावसेज ट्रिब्यूनल का उस के द्वारा उनकी तमाम सुविधाएं छीन ली गई हैं। इस तरह से जो दूसरे मजदूरों को अधिकार दिए गए हैं एल घाई सी के कर्मचारियों से वह छीने जा रहे हैं। इसके अंदर यह दिया गया है कि सबिस मीटर्स के जो ट्रिब्यूनल होंगे उन के फैसले के खिलाफ किसी भी अदालत के अंदर कार्यवाही नहीं हो सकती है और इस के साथ साथ जो कलेक्टिव बार्गेनिंग का अधिकार है वह भी छीन लिया गया है इस तरह से तमाम अधिकार छीन लिए गए हैं जो दूसरे मजदूरों के पास रहेंगे। यह बात संविधान के विरुद्ध लगती है।

MR. CHAIRMAN: Please see page 19 clause 5.

It is mentioned here 'Every order passed by the Tribunal shall be final'.

You will see that they have got a right to go to the court. For service matter, anybody and everybody can go to the Tribunal. There will be a Judicial Officer. He will take decision within a short time. Thereafter, he can go to the Tribunal.

SHRI JOGENDRA SHARMA:
Clause 68 of this Bill clearly mentions—

"The provisions of this Act and the rules made thereunder shall have effect notwithstanding anything contained in the Industrial Disputes Act or other enactmentsfor the time being in force'.

श्री एन० के० सट्टः पहली बात तो आप आपने दिमाग से यह बात निकाल दीजिए कि एल० आई० सी० एम्पलायोज को कितना मिलता है, इस से मुझे कोई शिकायत नहीं है। मेरे ख्याल में जो भी उन्हें मिलता है वह उन्होंने संघर्ष और एकता के बल पर हासिल किया है लेकिन जो यह प्रचार किया जा रहा है कि उनकी कलेक्टिव बारगेनिंग के अधिकारों पर कुठाराघात किया जा रहा है यह बड़ा भ्रामक प्रचार है क्यों कि एल० आई० सी० के कर्मचारियों के सारे प्रोसीजर भ्रमण हैं। इस का उद्देश्य यही है कि किसी भी देश की आर्थिक अवस्था को सुधारने में बैंक और इन्व्हेस्ट दो पैसे इस्ट्रीम्प्युशंस हैं जिनके जरिए उस को सुधारा जा सकता है। तो इन के प्रोसेस को जितना ज्यादा समझने की कोशिश करेंगे उतना ही लाभ मिलेगा। परन्तु यह चार्ज कि मजदूरों के अधिकारों पर कुठाराघात करने के लिए यह लाया जा रहा है, यह बात सही नहीं है।

श्री योगेन्द्र शर्मा : जो सम्मानित सदस्य ने कहा है मैं उस की कद्र करता हूँ और व्यक्तिगत जानकारी भी मेरी है

कि सम्मानित सदस्य काफी इस काम में सक्रिय हैं। लेकिन दुर्भाग्य से हमारा अनुभव और तथ्य दूसरी बात बताते हैं। हमारा अनुभव यह है कि जनवरी 74 में जो एग्रीमेंट हुआ था जिस के अन्तर यह सरकार खर्द पाटी थी उस को खत्म करने के लिए एमर्जेंसी के दिनों में 76 में एल० आई० सी० नोटिफिकेशन ऐक्ट लाया गया और जो सुविधा उन्होंने हासिल की थी उसको खत्म कर दिया गया जिस को 78 में सुप्रीम कोर्ट ने रद्द कर दिया था और सुप्रीम कोर्ट के फैसले को

समापति महोदय : आगे भी देखिए कि 81 में जो बिल पेश किया था उस को आप ने बिलेंज किया, उस का नतीजा क्या हुआ ? उन्होंने उस को अपहोल्ड किया।

समापति महोदय : 1981 में जो हुआ के पश्चात् से मैं कहता हूँ, पीछे की बात छोड़िए।

श्री योगेन्द्र शर्मा : फिर दोबारा सुप्रीम कोर्ट के फैसले को रद्द करने के लिए एक्ट लाया गया। तीन नोटिफिकेशन निकाले गए, वह भी एल० आई० सी० के विरुद्ध थे। रिटायमेंट की एज एल० आई० सी० के कर्मचारियों की साथ से घटा दी गई। चतुर्थ और तृतीय श्रेणी के कर्मचारियों के वेतन निर्धारित किए गए

समापति महोदय : आप सुप्रीम कोर्ट की कद्र तो करते हैं, उन के जजमेंट को तो मानते हैं ? जब 1981 के अन्दर जजमेंट मान लिया तो आप उस का स्वागत करेंगे क्यों कि यह ला आफ दि लैंड हो गया। इस को तो आप मानेंगे। उसके आगे तो मैं कुछ कहना पसंद नहीं करूंगा। आप के अन्दर इतना देश प्रेम कूट कूट कर भरा हुआ है, उस के

अनुसार तो मैं आगे कुछ कहना भी नहीं चाहूंगा।

दूसरी बात—बिल के अन्धर जो आप ने बताया है कि इंडस्ट्रियल डिस्प्यूट्स ऐक्ट बगैरह का अधिकार छीन लिया तो आज तो आप देखेंगे कि इंडस्ट्रियल डिस्प्यूट्स ऐक्ट के अन्धर कई-कई वर्ष लग जाते हैं। फिर ट्रिब्यूनल में जाता है, फिर कोर्ट में जाता है। इस में कितना लम्बा समय लगता है। इसलिए इस में जो दिया है वह तो बेहतर तरीका है।

श्री योगेन्द्र शर्मा : इस देश के किसी भी नागरिक के लिए सुप्रीम कोर्ट के फैसले को मानना उस का धर्म है। सवाल इस के उद्देश्यों का था जिस के तहत यह बिल लाया गया है। मैं व्यवहार में देखता हूँ कि ट्रेड यूनियन के अन्धर क्या हो रहा है? बंगलौर में पब्लिक सेक्टर के एम्पलायीज को मेल के कर्मचारियों के ऐंट पार लाने का फैसला किया था, उस से भी मुकर गए।

MR. CHAIRMAN: I would request the hon. Members to confine themselves to the questions pertaining to the Bill. Otherwise, we can go to any extent. If any hon. Member puts the question, it should have some relevancy with the Bill.

SHRI SNUIL MAITRA: If the question is relevant to the Bill, the answer will also be relevant to the Bill. If it is a question of facts, as a Member, everybody has the right to put the record straight.

SHRI VITHALRAO MADHAVRAO JADHAV: You please refer to the provisions of sub-section 2A and sub-section 2B of clause 2(c) of the LIC Act, 1981. It was 14 of 1947.

This is also stated in Clause 68. I quote:

"The provisions of this Act and the rules made thereunder shall

effect notwithstanding anything contained in the Industrial Disputes Act, 1947 or in any other enactment (other than this Act) for the time being in force, or any judgement, decree or order of any court, tribunal or other authority or any agreement, settlement, award or other instrument for the time being in force."

It is the same provision.

श्री योगेन्द्र शर्मा : सवाल यह है कि जो इस बिल का घोषित उद्देश्य है क्या एल० आइ० सी० को पांच टुकड़ों में बांट कर उन उद्देश्यों को पूरा किया जा सकता है। हमारा विचार है कि नहीं पूरा किया जा सकता। इसके लिए मुख्यतः सरकार की नीतियों में परिवर्तन लाने की आवश्यकता है। तभी उन उद्देश्यों को पूरा किया जा सकता है। चाहे वह बोकेशनल एफिशियसी का सवाल हो चाहे सरल बस्ट देने का सवाल हो, स्प्लिट उसका जबाब नहीं हो सकता है बल्कि स्प्लिट करने से दिक्कतें और समस्याएं ज्यादा होंगी। किसी भी तरीके से न कर्मचारियों के हित में, न पालिसी होल्डर्स के हित में और न देश के ही हित में इसे कहा जा सकता है।

श्री विलीप सिंहचूरिया : जैसे आप ने कहा कि हमारा सभी लोगों का यह कर्तव्य है कि जो भी काम करें वह देश के हित में करें तो आप जानते हैं कि बैंक नेशनलाइजेशन के बाद बैंक गांवों में गए, उन में काम्प्यूटीशन हुआ। तो सरकार उसी नीति का पालन कर रही है ताकि हमारे सब लोगों की लाइफ सेक्योर हो, इसमें तो कोई दो मत नहीं हो सकते।

श्री योगेन्द्र शर्मा : सिर्फ काम्प्यूटीशन से यह चीज तय नहीं होगी। अन्धर गांवों के अन्धर ब्राह्मण खोलने की नीति में

परिवर्तन नहीं होगा तो गांवों में ब्रान्चेज आयेंगी नहीं। हमारा जो इन्टरेस्ट ग्रनिंग है एल० आई० सी० में वह 8.81 परसेंट के हिसाब से है लेकिन वैल्यूएशन में 4.12 परसेंट के हिसाब से कैलकुलेट किया है। यह बाकी पैसा कहां जाता है? जो हिडेन सरप्लस है उस को तमाम ग्रामीण क्षेत्रों के विकास में लगाया जाये तो यह सुविधा गांवों में पहुंच सकती है।

अगर गवर्नमेंट 39 करोड़ रुपये का एक हिस्सा भी इसके लिए खर्च करे तो गांवों के अन्दर यह चीज जा सकती है। तो बुनियादी चीज है सरकार की नीति। ये चीजें उसका कारण नहीं हैं।

MR. CHAIRMAN: Thank you.

(The Witnesses then withdraw)

(The Committee then adjourned.)

**RECORD OF EVIDENCE TENDERED BEFORE THE JOINT COMMITTEE ON THE LIFE
INSURANCE CORPORATIONs BILL, 1963**

**Wednesday, 16 May, 1964 from 1000 to 1230 hours in Circuit House, Gandhi
Nagar, Ahmedabad.**

PRESENT

Shri Mool Chand Daga—Chairman

MEMBERS

Lok Sabha

2. Shri Satish Agarwal
3. Shri Nurul Islam
4. Shri Ghayoor Ali Khan
5. Shri Braja Mohan Mohanty
6. Shri Janardhana Poojary
7. Shri Ram Lal Rahi
8. Shri M. S. K. Sathiyendran
9. Shri Natvarsinh Solanki

Rajya Sabha

10. Shri Vithalrao Madhavrao Jadhav

SECRETARIAT

Shri R. S. Mani—Senior Legislative Committee Officer.

**REPRESENTATIVES OF THE MINISTRY OF FINANCE (DEPT. OF ECONOMIC AFFAIRS)
(INSURANCE DIVISION)**

1. Shri H. M. S. Bhatnagar—Additional Secretary.
2. Shri R. K. Mahajan—Controller of Insurance.
3. Shri S. D. Raheja—Under Secretary.
4. Shri A. S. Gupta—Current Incharge & M.D., LIC.
5. Shri N. Kalyanaraman—Zonal Manager.

WITNESSES EXAMINED

I. Government of Gujarat, Gandhinagar:

Spokesmen:

1. Shri Arun Sinha,
Secretary, Exp.
2. Shri L. Man Singh,
Director of Institutional Finance.
3. Shri K. K. Baxi,
Director (Bureau of Public Enterprises).
4. Shri C. P. Sampat,
Director (Budgetary Resources).
5. Shri R. M. Doctor,
Director of Insurance.

II. (a) Consumer Education and Research Centre, Ahmedabad.

Spokesmen:

1. Shri Manubhai Shah,
Managing Trustee.
2. Shri I. R. Oza,
3. Ms. U. Dharmadhikari

(b) Consumers Protection Association, C/o P. N. Institute of Medical
.. Sciences, Himatnagar.

Spokesmen:

1. Dr. Niranjan Nath
2. Shri Madhu Sudan Mahta

I. Government of Gujarat, Gandhinagar:

Spokesmen:

1. Shri Arun Sinha, Secretary,
Exp.
2. Shri L. Man Singh, Director
of Institutional Finance.
3. Shri K. K. Baxi,
Director (Bureau of Public
Enterprises)
4. Shri C. P. Sampat, Director
(Budgetary Resources)
5. Shri R. M. Doctor, Director of
Insurance.

*(The witnesses were called in and
they took their seats)*

MR. CHAIRMAN: Before you start, I may point out that in accordance with the provisions contained in Direction 58 of the Directions by the Speaker, your evidence shall be treated as public, and is liable to be published, unless you specifically desire that all or any part of the evidence given by you should be treated as confidential. Even though you might desire your evidence to be treated as confidential, such evidence is liable to be made available to the Members of Parliament. I hope you have signed this.

Do you want to add anything to your memorandum?

SHRI ARUN SINHA: First of all, let me welcome the Chairman and members of the Committee on behalf of the State Government. I do hope that the arrangements we have made

are satisfactory, and we do look forward to the Committee having a reasonably satisfying time in Gandhinagar and Ahmedabad during their stay. We have a couple of points to make.

We are in agreement with the objectives of the bill, i.e. "mere effective spread of insurance into the rural areas where only limited headway has been made so far", and "improve the quality of service rendered to the policy holders". The probability is also acknowledged that with reduction in size, each new entity would become more manageable permitting closer supervision and effective direction, intimate treatment of insurance needs of various sections of the community, and extensive development of life insurance coverage.

One of the inevitable consequences of intensive development of life insurance business would be greater mopping up of savings. It would cut into State's effort to mobilize small savings, and thus adversely affect the funds received by the State from the Centre on collection of small savings. While the State does not grudge the spread of insurance habit, and on the contrary would welcome it, it would nevertheless not like to be deprived of resources. The investment of Insurance Corporation in State's plans should, therefore, be increased. Since we do not know the manner in which these decisions are arrived at, we may not be able to say anything more than that the level of LIC investment in the State should increase.

In keeping with the objectives of the LIC Bill, States should be involved in the decision-making process of the new Corporation, and the Life Insurance Board. The Life Insurance Board is, among other things, concerned with the development of "new plans for intensive development of life insurance business and for meeting specific insurance needs of various sections of the community." This is in clause 20. It is also to "render such service to any Corporation as it may deem fit for the promotion of such measures as are, in its opinion, conducive to the development of life insurance business". Each new Corporation [Cl. 9(1)(a)] is primarily responsible for the intensive development of life insurance business within the zone, and, in particular, in the Divisions within the zone.... Taking all these factors into account, it would be quite relevant to say that the State has a vital interest in this area, and it could offer invaluable advice and support for framing comprehensive development strategy. As the Government, through its various developmental agencies, is already playing a very significant promotional role in various parts of the State, particularly rural areas, its experience and cooperation would go a long way in realising the objective of spreading insurance into rural areas.

One of the advantages of the proposed set-up of region-based Life Insurance Corporations appears to be their flexibility in evolving insurance policies suited to the needs and requirements of a particular set of people or people living in an area. When insurance goes rural, it will have to take into account the earning pattern, employment risks of different classes of people in different areas. The State Government's association on the Board of the Corporation, as also on the Life Insurance Board could contribute to the development of proper policies in this regard.

It would thus be desirable to provide in the Bill for the representa-

tion of State Government on the Board of Corporations, and also the Life Insurance Board; the latter, if necessary, by fixing a quota of representation to be shared by different States by a process of rotation.

If the objectives of the Bill are to be realized, there should be a meaningful and effective decentralization of authority. The insured need to be provided effective service at their doorsteps. It will be even more necessary, when the rural area potential is tapped.

It is hoped that with the introduction of region-based Corporations the recruitment policy would lay greater emphasis on the recruitment of people who know the local languages, familiar with local areas and are willing to work there.

Even in the case of banks this concept has been accepted, by introducing the regional banking services recruitment boards where, in order to attract local people, it has been stipulated that it will be necessary to have knowledge of local languages, which would help in the development of business by banks.

Clause 9(1)(a) says that each such Corporation shall

"be primarily responsible for the intensive development of life insurance business within the Zone, and, in particular, in the Divisions within the Zone, specified, or deemed to be specified, in the corresponding entries against its name in the Second Schedule;...."

We are not very clear whether it primarily refers to the functions or to the area. As far as I can see, it does not refer to the area, because subsequently in some other provision it is mentioned that each new Corporation established can, with the permission of the Government, open offices elsewhere also.

One interpretation could be that the major emphasis is on the intensive development of the area as a

function of the Corporation, and it is a possibility that other interests are subsidiary. The other interpretation can be that primarily, the branches would be opened in the zone, but with Government's permission, branches can be opened in other zones. In Clause 14(5), it is said that officers are liable to serve anywhere in India. If the Corporation is going to spread itself all over India, whether with the permission of the Government as provided here or otherwise, are we intending to have all-India Corporations competing with each other?

Or, are we making this only as an exception? If it is an exception, then, what would be the conditions for permitting a particular Corporation to open an office outside the State or outside the zone? After all, if anyone who wants to open an office outside the zone, he would be promoted by the consideration of the profitability. It may be operating in an area where its profitability may not be much or the business may not be attractive is not that much then it is interested to enter another area in order to compensate for this.

We are not very clear whether the idea inherent here is to permit competitiveness or to make good what they may not be able to achieve by operating in one area alone. These will be in conflict with the priority of intensive development of the zone. This is the priority laid down here. I think this is one point which we would like to mention. There are two or three other points. When we are here, it is not that on behalf of the State that we represent, but my own I would like to bring to your notice these points so that you may consider them. Clause 13(2) says:

"... the Investment Committee shall consist of the Chairman of the Corporation and not more than eight and not less than six other members...."

MR. CHAIRMAN: Please read out in full.

SHRI ARUN SINHA: Clause 13(2) reads like this:

'(2) Each Corporation may also constitute an Investment Committee for the purpose of advising it in matters relating to the investment of its funds, and the Investment Committee shall consist of the Chairman of the Corporation and not more than eight and not less than six other members of whom not less than four shall be members of that Corporation and the remaining member, shall be persons (whether members of that Corporation or not) who have special knowledge of, and experience in, financial matters, particularly matters relating to investment of funds."

There is a provision in this Bill that such person to be a member of the Board will have no such financial or other interest as is likely to affect prejudicially the exercise or performance by him of his functions as a member. This is a statutory responsibility.

MR. CHAIRMAN: If I understand you correctly, you want representation from the State, that is, there should be a member from the State in this zonal corporation. And, in the Investment Committee, you want that one of the members should be from Gujarat. Is it correct?

SHRI ARUN SINHA: Of course, we would like to have that.

MR. CHAIRMAN: That means you want two Members—one in that Corporation and another in the Investment Committee.

SHRI ARUN SINHA: I would like to present that point of view and I am also pointing out another fact.

MR. CHAIRMAN: That is, you want the Finance Secretary to be there.

SHRI ARUN SINHA: I would not like to submit like that. What I am submitting right now here is

slightly different. Out of eight or nine members in the Investment Committee, I say that not less than four should be from the Directors of the Corporation who are, dutybound, to disclose their interests. This is the possibility. There may be another three or four members taken from outside this Corporation. In any case, there is no provision in this Act or Bill which imposes a restriction on them that they must disclose their interests before giving advice to the Investment Committee to make a particular kind of investment. Therefore, his privilege is capable of being abused. This is what I am submitting to you.

Clause 13(2) has already been quoted by me. According to my reading of it, the clause cast the obligation on the director of the Corporation to carry out the advice of that committee. However, he has a right to place the matter before the Board. In the Investment Committee, there would be three or four members who would have no such obligation to disclose their interests while rendering advice that a particular investment policy should be followed. This is my other point.

MR. CHAIRMAN: We take note of that. We shall consider those points on who should be the Members of the Investment Committee.

SHRI ARUN SINHA: Kindly also keep in mind the case of the State Government.

SHRI BRAJAMOHAN MOHANTY: Mr. Chairman, I want a clarification from the hon. witness. He wanted representation of the Gujarat Government in the Investment Committee.

MR. CHAIRMAN: We will also include Orissa.

SHRI BRAJAMOHAN MOHANTY: My point is quite different. So far as LIC is concerned, from the point of view of national interest, they have to decide on where to

operate. As a matter of fact, not only Gujarat but also other States will be equally interested that they should be represented in it. Will this not go counter to the national perspective of the Corporation?

I may remind you that in India there are certain States which are more developed while certain others less developed. How can you assure the development of the underdeveloped States?

SHRI ARUN SINHA: If I may submit, the States are very much a part of the national mainstream. We do not seek a role which goes counter to the national goal as enshrined in the Bill. We know the objectives under which these Corporations are being brought into existence. Most important objective is the effective spread of insurance into rural areas. The second objective is the quality of service rendered to the policy holders. The interest of the States is also the interest of the people and vice versa. The state, as a repository of the rights of the people should have a say in respect of the services that are being rendered to the people as well as the areas where the development is taking place. Take for instance Group Insurance Scheme in the unorganised sector. It was taken up as a result of the initiative of the State. We want to cover specific areas. For instance, we want to provide the people in that area the insurance cover. If a person is not earning much, in the beginning to attract him we say that the premium will be less initially. Later on, it will be more. For instance we also have policies for children to take care of them. There are policies for the people to which can take care of their responsibilities when the education question comes up. Likewise, when the business spreads into the rural areas, the people's interests need to be taken care of.

What I want to submit here is that the State Governments have been able to do much in the area of development. They have taken care of the needs and the aspirations of the people. From the long term point of view, they should be in a position to project their points of view. If there are going to be 16 members in the Corporation, then it should be possible to accommodate the views of the State Government. Regarding clause 16(2) (a) a member of the Life Insurance Board can be removed by giving three months notice. In this Bill itself, there is a different treatment given to the directors of the corporation and the members of the Board. There should be a similar provision in both the cases. About the claims' tribunal, you are making the claims tribunal more restrictive. In clause 24(4) there is an option given to the claimant either to go to the claims tribunal or to a civil court. But the remedy which is provided under the claims tribunal is being restricted as compared to that under the civil court. That should not be so. There should be similar procedure in both the cases.

श्री राम लाल राही : मैं दो बातें पूछना चाहूंगा। आपने जो स्टेटमेंट दिया है और जो उबानी कहा है वह इस बिल के उद्देश्य और कार्यों पर आधारित है। आप यह मानकर चलते हैं कि जीवन बीमा निगम का वर्तमान स्वरूप जबसे बना है तबसे यह निगम निरन्तर प्रगति के रास्ते पर अग्रसर है परन्तु उसके बावजूद गांवों के लोग इसका लाभ पाने में अभी तक उपेक्षित रहे हैं। आपने कहा है कि निगम को स्प्लिट करने के बजाए इसमें और भी कई प्रकार के प्रशासनिक सुधार करके इन उद्देश्यों की प्राप्ति की जा सकती है तो मैं आपसे जानना चाहूंगा कि आपने कौन-कौन से स्वरूप सोचे हैं जिनको अपनाकर गांवों के आर्थिकों को तब इस

निगम की पहुंच हो सकती है? वर्तमान परिस्थिति में कौन सा रास्ता अवस्थित किया जाए? अगर इसका विभाजन न हो तो और कौन सा रास्ता है—यह आप बताने की कृपा करें।

सभापति महोदय : उन्होंने तो इस बिल के सिद्धांतों को पूरी तरह से माना है और कहा कि स्प्लिट कर दी जाए ताकि यह गांवों तक पहुंच सके।

श्री राम लाल राही : यदि आप स्प्लिट को सही समझते हैं तो आज जीवन बीमा निगम का जो स्वरूप है उसके अन्तर्गत क्या यह काम करने में सक्षम नहीं है?

श्री अरुण सिन्हा : मैं यह नहीं कहता हूं कि आज का स्वरूप सक्षम नहीं है लेकिन मैं यह कहना चाहता हूं कि अगर छोटे कारपोरेशन्स बन जाते हैं तो ज्यादा इफेक्टिव और ज्यादा बढ़ावा करल एरियाज को मिल सकेगा। मैं एक इलस्ट्रेशन देना चाहता हूं। ईरा मेडियान रिपोर्ट को आप देखें (अपेंडिक्स 20) तो आपको पता चलेगा कि करल एरियाज में उतनी ग्रोथ नहीं हुई है और अरबन एरियाज में भी जहां ग्रोथ हुई है, वहां पर भी कई एरियाज में इन्फ्लेशन हुआ है क्योंकि अरबन एरियाज में बैंकों की कई प्रकार की डिपॉजिट स्कीम्स इन्फ्लेक्शन हो रही हैं और उसी वजह से लोगों का असेट्स उधर ज्यादा गया है।

दूसरी बात यह है कि स्टेट्स का जो विभाजन हुआ था उसके पीछे भी यही आर्गुमेंट था कि छोटी स्टेट होने पर ज्यादा डेवलपमेंट हो सकेगा और हमारा अनुभव भी यही बताता है कि

छोटी यूनिट होगी तो डेबलपमेन्ट का ज्यादा प्रयत्न हो सकेगा।

श्री राम लाल राही : छोटी स्टेट होगी तो डेबलपमेन्ट ज्यादा होगा—यह बात तो है लेकिन एक दिन ऐसा भी आ सकता है जब हर स्टेट कहने लगगी कि हमारे यहां अलग कारपोरेशन होना चाहिए।

श्री अरुण सिन्हा : तब उस समय देखा जायेगा क्योंकि तब तक सिन्धुएशन बहुत कुछ बेज हो सकती है।

समापति महोदय : अगर सारी स्टेट्स भाग करने लगेंगी तब क्या करेंगे ?

श्री अरुण सिन्हा : एक तो वाय-बिलिटी का सवाल आता है जिसको देखना पड़ेगा। दूसरी बात यह है कि जो भी फंड्स मोबिलाइज किए जाते हैं उनको दूसरी जगहों पर भी यूटिलाइज किया जाता है। दोनों आस्पेक्ट देखने पड़ेंगे। जहां तक मोबिलाइजेशन का सवाल है, सेंट्रल गवर्नमेन्ट उसको डिफेंड कर रही है। पेज 249 पर अप्रेंटिस में यह दिया हुआ है कि कितना पता एक स्टेट से दूसरी स्टेट में चला गया। जो पर्स के मामले में सेंट्रल गवर्नमेन्ट का पूरा दखल है इसलिए यह जो हर है कि कुछ स्टेट्स ही डेबलप होंगी, दूसरी नहीं, सही नहीं है। यह बात जरूर है कि नए कारपोरेशन्स बनने के बाद भी अगर वह शहरों में ही बँट रहे हैं, गांवों तक नहीं पहुंचने हैं तो वह उचित नहीं होगा।

श्री राम लाल राही : कई प्रदेशों का विभाजन प्रगति को दृष्टि में रखते हुए किया गया है जिसमें गुजरात भी

शामिल है लेकिन पूर्वोत्तर में जो असम के कई टुकड़े किए गए हैं—जैसे मिजोरम, त्रिपुरा, नागालैंड, शिलांग, अरुणाचल आदि वहां की जो स्थिति है उसको देखते हुए क्या आप कह सकते हैं कि वहां पर छोटी यूनिट्स बनने में प्रगति हुई है? दूसरी बात यह है कि इससे सारे देश में विभाजन कराने की प्रवृत्ति भी पैदा हुई है। उस दृष्टि से देखें तो क्या जीवन बीमा निगम को विभाजित करने के बाद और भी आगे विभाजन करने की मांग नहीं पैदा होगी?

दूसरी बात यह है कि इस बिल में ऐसा कोई प्रतिबन्ध नहीं है कि एक डिवीजन या एक खोन दूसरे जोन में अपना व्यवसाय नहीं चला सकेगा। दूसरे क्षेत्र में व्यवसाय करने से कम्पटीशन की भावना तो पैदा हो सकती है लेकिन क्या आप ऐसा नहीं सोचते कि इससे गतिरोध पैदा होगा? आज जीवन बीमा निगम का जो स्वरूप है उसमें यह धीरे धीरे प्रगति की राह पर बढ़ रहा है—जैसा कि आंकड़ों से विदित है, फिर ऐसा करने की क्या आवश्यकता है?

श्री अरुण सिन्हा : जहां तक स्टेट्स के विभाजन का सम्बन्ध है, गुजरात में तो काफी प्रगति विभाजन के बाद हुई है लेकिन दूसरी स्टेट्स के बारे में, मैं कुछ नहीं कह सकता।

SHRI SATISH AGARWAL: I would like to draw the attention of the witness to the 20th Report and Accounts for the year ended 31st March 1964. Mr. Sinha, you have complaints about the investments by the LIC and requested the committee to consider the case of representation on the Investments Committee as well as the Corporation. May I draw your attention to certain facts which are contained in

this Annual Report of the Life Insurance Corporation of India whereby, as per the statement given on page 38 of the Report under the Heading 'Western Zone', the Gujarat Government or the Gujarat State got more than Rs. 100 crores so far as their State Electricity Boards are concerned. The figure for Maharashtra is Rs. 104 crores.

SHRI ARUN SINHA: We are fourth in the All India ranking.

SHRI SATISH AGARWAL: Similarly, the advances by the State Government are more than those of Maharashtra. Similarly, for co-operative housing financing societies and boards, it is Rs. 108.49 crores.

SHRI ARUN SINHA: We are certainly leading in cooperative societies.

SHRI SATISH AGARWAL: How will you be able to explain that you have been able to get funds only to the extent of Rs. 1.06 crores under zila parishads for rural pipe water supply scheme whereas the figure for Maharashtra is Rs. 49.8 crores? Does it not show the apathy of the Government so far as the pipe water supply to the rural areas is concerned?

SHRI L. MAN SINGH: In this area we are certainly deficient. At the moment we are carrying on an exercise in consultation with the zila parishads and autonomous bodies in Gujarat as to why they have not been able to draw more money. On this we had discussions with Mr. Gupta of LIC. We pointed out this aspect that we have not been able to draw substantial funds under this scheme and he has assured us all help in ensuring that this is boosted up.

SHRI SATISH AGARWAL: So far as the LIC is concerned, it was not their lapse. It was a lapse on the part of the State Government. Is it not?

SHRI L. MAN SINGH: Yes. We are trying to find out where the fault lies.

SHRI LAL K. ADVANI: How do you explain your repayment schedule? The outstanding is Rs. 36 crores. It is 25 times more than the advance this year.

SHRI ARUN SINHA: Sir it is not Rs. 26 crores, but it is Rs. 26 lakhs.

SHRI SATISH AGARWAL: You submitted certain schemes to the LIC. Is it not?

SHRI L. MAN SINGH: we have not been able to draw a large amount of money because the initiative is not there on the part of zila parishads. Now we are trying to encourage them.

SHRI SATISH AGARWAL: According to the statistics available here the State of Gujarat got 9.25 per cent of the total investments by the LIC all over the country. That comes to practically one-tenth. So, the Gujarat Government can have no complaint here so far as the investment pattern of the LIC all over the country is concerned.

SHRI ARUN SINHA: We are not complaining about the investment pattern of LIC. We are only saying that in the revised set up which is being envisaged, certain objectives have been kept in mind and these objectives will be greatly enhanced if the State Government is associated.

SHRI SATISH AGARWAL: But if the LIC is not split into five independent corporations, so far as the State of Gujarat is concerned, they are not going to suffer on that score.

SHRI ARUN SINHA: Even today there are certain limitations imposed by the Central Government in respect of certain kinds of schemes or in respect of certain benefits which can be obtained from the LIC like, for instance, in the case of purchase of Government securities etc. certain limits are prescribed. The LIC will

not go beyond those limits. In the case of housing finance etc., the Housing Ministry will probably lay down some limits. It is a possibility that in certain areas because of the greater absorption capacity we may be able to take some of the surplus funds of the LIC. After all, if the funds are not going to be utilised by any one, then we certainly should be encouraged to take advantage because ultimately our good is also adding to the total national good.

SHRI SATISH AGARWAL: Please see the figures on page 38 where investment in Madhya Pradesh is hardly 16 per cent.

SHRI ARUN SINHA: As I was submitting, in respect of these stock exchanges, we are eighth in order, in the case of State Electricity Boards we are four, first is Uttar Pradesh, second is West Bengal and third is Maharashtra. It depends on the employment generation and all that.

SHRI SATISH AGARWAL: Madhya Pradesh and Uttar Pradesh occupy a much larger area and population. But their share in the total kitty is just 16 per cent. If they are made a separate zone naturally their share will increase. So some States will suffer as a result of the split and some gain.

SHRI ARUN SINHA: In fact, I feel it would be quite contrary. The contributions need not necessarily come from rich States. There is an assumption that the areas where the funds are going, are also the areas from where funds are being procured. It may be otherwise. But as in the case of banks, if you see that credit deposit ratios, the areas from where funds come and go may be different.

SHRI SATISH AGARWAL: That would lead to the generation of parochialism.

SHRI ARUN SINHA: For us it would be beneficial. These policies are still being decided by Government. What will be the distribution of funds between one corporation and the other,

is to be decided by Government of India. So, the position is not going to be altered. But, under the present system, funds can be easily taken from one area to the other where there is absorption capacity. It is not as if this split or non-split is going to have a very material bearing on funds' flow because the latter is ultimately governed by Government of India.

SHRI VITHALRAO MADHAVRAO JADHAV: Just now, you said that this would give a more effective service to the rural areas, and that small savings would be affected. You also said that States must be involved in the decision-making process of LIC. I entirely agree that Maharashtra and Gujarat are more progressive, as far as LIC funds collection is concerned. But even there, we must say that urban areas like Bombay, Pune, Ahmedabad and Surat are more active. I also agree that though funds come from Maharashtra and Gujarat, they should go to backward areas of the country.

SHRI ARUN SINHA: The Statement of Objects and Reasons says that there is an ample scope for the development of business in rural areas, and also that people in urban areas are more conscious about these things; but in rural areas, people are not knowledgeable in these matters. But these are areas where we make propaganda about other forms of savings.

I did not complain about the present investment of LIC vis-a-vis the State. I said that with the increased business likely to flow to LIC from the spread of business in these areas, a greater percentage of business should come to us.

In the unorganized labour sector, the Gujarat Government insisted that a policy should be framed for group insurance. In the cotton producing areas, their earning capacity is different. We can suggest to LIC that a particular scheme may be evolved, through which it may be possible for the people to pay premia to LIC. There may be other areas where some peculiar

situation may be prevailing. A State Government is more aware of these things.

SHRI VITHALRAO MADHAVRAO JADHAV: Do you want to link this insurance scheme with the employment-oriented schemes?

SHRI L. MAN SINGH: In Gujarat, we have covered 2.5 lakhs of people in rural areas—poorest of the poor primary school teachers, menial staff etc. Again, with the cooperation of LIC and at the initiative of the State Government we are extending the group insurance schemes to the beneficiaries of IRDP, who belong to the poorest of the poor in rural areas. From June 1984, on an experimental basis we are covering people of Sabarkantha a backward district, in collaboration with different agencies, under this programme.

SHRI BRAJAMOHAN MOHANTY: Do you want that for the settlement of claims the civil courts' jurisdiction should be totally barred and that only the Claims-Tribunal should be given this responsibility—as provided in the Bill?

My second important question is about the exchange of views between the State Governments and Corporations as well as the Board of Directors. There is an Investment Advisory Committee. Tell me whether the present arrangement according to you is adequate or not. If you feel that it is inadequate in the formulation of policy better, can you think of any alternative mechanism which will bring about better exchange of views and consultation between the State Governments and the Corporation? One of the objectives of the Corporation is primarily to operate itself in different zones. As a matter of fact, every Corporation will be demanding their right of investment in different areas. If that is specifically permitted by the Union Government, what is your objection about it? There are some backward areas where some other Corporation is permitted

to operate for a specific period with the permission of the Union Government. What is your objection to it?

MR. CHAIRMAN: He has not raised any objection.

SHRI ARUN SINHA: So far, I have not raised any objection. I will now come to it. Your question is in regard to the alternative option I was merely submitting that when you had provided for two remedies, one remedy is much harsher than the other. One remedy is that there is a provision for the Claims Tribunals. By making them restrictive, you are only discriminating against the persons who are making use of this forum and thereby forcing them to go to the civil courts. What I am submitting here is that in the Claims Tribunal—a forum—you should permit a greater latitude depending upon the judgment of the tribunal to admit, if necessary, extra claims. This is all I am submitting.

The other point is in regard to the exchange of views between the Corporation and the State Governments. My colleague sitting here tells me that we have the best of relations with the LIC; We have absolutely no complaints against them. This is an individual arrangement of our relationship. Mr. Gupta says that this is the best arrangement of our relationship with the officers of the L.I.C. What we are submitting is that it is invariably better to have such relationship on institutional basis.

SHRI BRAJAMOHAN MOHANTY: There are two aspects to it. One is the participation in the policy formulation. There you wanted to have the Government representation. My question is in regard to consultation and exchange of views between the State Governments and the Corporation where are you thinking of any alternative mechanism to the existing arrangement? Can you suggest any other long term arrangement if you feel that the present arrangement is not sufficient?

SHRI ARUN SINHA: I am glad that you have pointed out this thing. I can suggest that at the State level, committee meetings, some kind of institutional arrangement would be welcomed. You mentioned about the zonal corporation. We have no objection to that. We are not entirely clear as to what is intended here. On the one hand it is provided that primarily their area of operation is in the rural areas for the intensive development of business within a zone. I have only raised this question. I do not know what consideration will prevail with the Central Government in permitting an individual corporation to open offices outside the zone. That would be an incentive provided for earning better business somewhere else. That prompts the organisation to go beyond its normal sphere of duties.

With regard to banks, we find, for instance, that what they are losing within the country, by their expansion in the rural areas, they want to make up for it by functioning abroad. Similar kind of consideration may also prevail with the new Corporations. It is in that context that I wanted to know this. If this is the objective, perhaps, this may be in conflict with the objective which has been enshrined earlier, namely, the offices primarily should be opened within the zones.

SHRI BRAJAMOHAN MOHANTY: May I ask a question?

MR. CHAIRMAN: We can discuss amongst ourselves later. Kindly see page 37 of the Bill. Under the Western Life Insurance Corporation of India, Ahmedabad is there; Rajkot and Surat are also there. See how many places have been covered?

SHRI ARUN SINHA: I have seen this.

MR. CHAIRMAN: Thank you very much. These are good suggestions. We will give our thoughts to them.

SHRI ARUN SINHA: Sir, we are grateful to the Committee for giving us this opportunity to present our point of view. Thank you very much.

(The witnesses then withdrew)

II. (a) Consumer Education and Research Centre, Ahmedabad

Spokesmen:

1. Shri Manubhai Shah,
Managing Trustee.

2. Shri I. R. Oza.

M/s. U. Dharmadhikari

(b) Consumers Protection Association, c/o P. N. Institute of Medical Science, Himatnagar.

Spokesmen:

1. Dr. Niranjan Nath.

2. Shri Madhu Sudan Mehta

(The witnesses were called in and they took their seats)

MR. CHAIRMAN: Before you start, I may point out that in accordance with the provisions contained in Direction 58 of the Directions by the Speaker, your evidence shall be treated as public, and is liable to be published, unless you specifically desire that all or any part of the evidence given by you should be treated as confidential. Even though you might desire your evidence to be treated as confidential, such evidence is liable to be made available to the Members of Parliament.

Do you agree with the main principle of the Bill?

PROF. MANUBHAI SHAH: We have circulated right now one memorandum which is in support of and in addition to what we have submitted to the Committee earlier.

MR. CHAIRMAN: I appreciate the labour which you are doing. Honestly speaking, we will certainly take certain points from your memorandum. I thank you very much because you all gentlemen are taking pains for the welfare and in the interest of the consumers. If you want, you can highlight one or two points.

PROF. MANUBHAI SHAH: You might notice from the memorandum that enormous amount of work has been done by our organisation so far

as LIC is concerned. All those publications have already been submitted earlier to the hon. Members of the Committee along with the memorandum on 15th of February. It also includes some of the court judgments against LIC and in favour of consumers.

We know the public controversy about the splitting of LIC.

Sir, we are aware of the fact that there is a fierce opposition from various individuals and institutions against the split of the LIC and yet, we have held our neck out to support the split of the LIC and we would like to divide our submissions in three broad categories. One is that when the Era Sezhiyan Committee made recommendations for split up the Committee had carefully gone through the various reports of Parliamentary Committees and they had examined those reports in great details and thereafter the Committee had carefully chosen to recommend to the Government that the LIC be split up into five zonal corporations as such. Therefore, my first submission is that any decision based upon the earlier reports or the recommendations of the earlier Committees was already dealt with by the Era Sezhiyan Committee and therefore, they did not influence the hon. Members of the Committee. I only wish to point out that in the Report of the Era Sezhiyan Committee, a reference is invited to Chapter III of Part I and Chapter XX of Part II, on which we have already made our submissions and therefore, those points are already taken care of.

The second point as to why we are supporting the Government's Bill is on a two-fold consideration. One is that we not only support the provision in the Bill as it is, we are going a step further. We want this split up with competitive permissiveness and not only for dividing it into five corporations for a better administrative set up, as otherwise these divisions today become corporations tomorrow. That is why our submission is, we are

going a step beyond what is contained in the Bill.

Secondly, we are aware of the complications which can arise by the split up in respect of the size, volume of business, the annual income, the number of insured lives and so on and so forth. It is a relevant criterion. Therefore, we are not suggesting as a second step that the split up should be done into five zones, but they should be five autonomous corporations which are entitled to compete throughout the country. What we have stated so far is that a large number of objections which have been raised by any individuals and institutions are based upon the complications and difficulties which may arise in respect of the split up of LIC on zonal basis. Therefore, taking the clue from the operations of the four subsidiaries of General Insurance Corporation, we would like to submit that these corporations should be All India Corporations and not Zonal Corporations. This is the major departure. Now, why we are inclined to think in those terms is, that we are not so much guided only by the fact of the size of the corporation. We believe that because of the one single monopolistic or monolithic corporation, the number of things which are not happening for protecting the interests of the consumers are three-fold. One is, there is no competition and competition from the consumer's point of view is one of the major safeguards against the abuse, misuse or ill-use of the monopolies. Whether they are in the State sector or in the private sector, it hardly makes any difference from the consumer's point of view. The Chief Justice of the United States has dismissed the contention that Government cannot be regarded necessarily always to look after public interest and therefore, any theory or any proposition that Government looks after public interest is an outdated theory and it has more than amply supported the fact that if you look at the litigations in the court, you will find that in 50 per

cent of the cases the Government happens to be a party. So, firstly competition is a major safeguard. Secondly, as it has been pointed out earlier by Mr. Deshmukh, it was only to start with that the Government thought in terms of a single monopolistic or monolithic corporation. Mr. Deshmukh made it clear that this is only to start with because amalgamation of more than 200 units into one corporation is a more difficult task. If you split it up later on, the job will be easier. Therefore, if ultimately the Government feels that the LIC has demonstrably failed in the objectives for which the LIC is set up, then the Government should be prepared to examine that particular alternative. Therefore, what we are contending is that the time has come when from the consumer's point of view the LIC seems to have failed. We know that this is not a forum where we are supposed to talk about the plans of LIC, but illustratively, if it is felt that the LIC has demonstrably failed in its objectives, then the Government will be willing to consider the split up of LIC. Therefore, we would like to highlight a few of the areas where we felt that LIC has demonstrably failed in its objectives.

MR. CHAIRMAN: We know that. On whatever you say about the autonomy, you throw much light on these two points. One is, you say about the autonomy and the second is about competitiveness. On these two points you kindly stress. You please tell what amendments you suggest on these two things.

PROF. MANUBHAJ SHAH: We are not suggesting de-nationalisation. What we are suggesting is that there should be competition of two kinds. One is that the five corporations of LIC will compete with one another. We are going a step further and say that the General Insurance Corporation through their four subsidiaries may also be allowed to compete. In fact, from the consumer's point of view there will be nine corporations which will be competing with one another.

We also make a further submission that as the General Insurance Corporation may be allowed to compete with the Life Insurance Corporation, we may as well allow the Life Insurance Corporations also to compete with the General Insurance Corporation. We are not suggesting either de-nationalisation or competing with the private sector or anything. All that we are submitting is that there should be competition between the public sector corporations themselves so far as Life Insurance and General Insurance are concerned. There is already a competition between the four subsidiaries of the General Insurance Corporations. There can also be competition between the Life Insurance Corporations and the General Insurance Corporation also. This is the major thrust we have given.

To spell out the concept of competition, it is not that competition only will be in the area of quality of service. Competition will be in respect of bonus, in respect of settlement of claims and other services. That is where the major contribution and concern is of the consumer organisations representing policy holders' interests. Therefore, our major point is that it is autonomous in that sense of the term.

Why we have all the while been stressing on this is that in spite of the fact that alarms were raised that there was unfair competition, that there were unfair practices etc., this has not worried us because in a competition if it happens to be unfair, then that competition can always be regulated or controlled and that is where the State cannot shy away from its responsibility for controlling unfair competition or restricting monopolistic practices. The kinds of things that happen in this country may happen in any country of the world. There may be an instance where LIC might have failed in U.K. All that they have done is to provide more effective control. Even to protect the interests of the policy-holders the U.K. has gone to the extent that they have

created a fund so that if any insurance corporation fails, then 90 per cent of the sum assured to the policyholder will be paid out of that fund set up by the State. Contribution to that Fund comes from insurance companies, having regard to their volume of business and share of America in U.K. We say that simply because there are apprehensions in certain areas about unfair competition, it cannot be a criterion for doing away with competition. Competition, in our opinion, is a major safeguard. That is why we are suggesting that it should be encouraged by an appropriate amendment to the Bill.

There have been further comments made that if this kind of competition is encouraged, there might be less development of new business, particularly affecting rural poor, underprivileged classes of the society etc. Our answer is three-fold: first even to-day LIC inspite of its being a monopoly and non-competitive organisation, has failed in any case. Secondly, there are two ways of looking at this problem. If on the basis of competition, the corporations are allowed to operate efficiently, economically and on business principles, developmental expenses can be met out of surplus which the Government of India is today entitled to have. Out of this, 2½% or any other percentage deemed fit by the Government, and on an appropriate actual guidelines being laid down, a part of the surplus may be set aside for this purpose.

Thirdly, all said and done, so far as the LIC is concerned, their expenditure and other requirements are going to be such that the insurance covered offered by LIC is always likely to be expensive and uneconomical. So, our alternatives are: (1) A major thrust of the Corporation has to be on providing a cover against the risk of death of a bread-winner. Unfortunately in India, the whole focus of life insurance has considerably shifted away. From the consumers' point of view, the purpose of life insurance is only to cover death. We have emphasized that mobilization of savings, which is incidental, does not

meet that purpose. Elsewhere in the world, it is the individual term insurance, or what we call group term insurance which serves the purpose. There, individual term insurance providing a cover against the risk of death is being encouraged, rather than people being compelled to buy expensive endowment or whole life insurance terms. Because of this, individual term insurance is not available to men and women. So, people are being compelled to buy expensive life insurance i.e. an endowment policy.

Many times it is said that we are offering group insurance. But according to us it has two limitations viz.

(1) There should be a recognised group; and

(2) There should be minimum number of 200 participants.

Thus group insurance being offered by LIC will not serve the purpose of Individual Term Insurance. If Individual Term Insurance is freely available to cover against risk of death can be provided at lower premium. The difference between premium on life or Endowment Policy and Term Policy can be invested elsewhere; may be in the Post Office or National Savings Certificate or deposit with Government Companies, where policy holder will always be at an advantage. We say this because any argument that there will be no attempt on the part of competing corporations to offer to and cover the relatively less affluent classes of society, is not a relevant factor advanced all the time against competition. You would be shocked to know that after 30 years of its existence, women of this country, only because they happen to be women, are denied the cheapest insurance cover by LIC. I mean they are denied the benefits of individual convertible term insurance policy. These women can get whole life or endowment policies. First of all, the Table does not give any reason

for denying women those individual convertible term insurance policy. There are conditions laid down regarding eligibility for this policy. But LIC should be able to give reasons for having them. I would quote the answer which the Chairman of LIC had given at a press conference. It may sound humorous. When a question was put by a journalist to the Chairman of LIC, he said that Indian husbands murdered their wives for insurance moneys; and that if LIC provided cheaper insurance cover for larger sums, more Indian men would kill more Indian women for money. The journalist then asked for statistical information, and also said that husbands might kill wives; but did they do it for insurance moneys? The Chairman of LIC could not give an answer. Another journalist asked: 'Mrs. Gandhi being a woman, if she had asked for an insurance policy, will you give it or not?' The Chairman of LIC had just to keep quiet.

SHRI JANARDHANA POOJARY: The Chairman-in-charge of LIC can answer this point. Is this ban there?

SHRI MATHEN (LIC): The fact remains that under this plan, even men have not been insured.

SHRI SATISH AGARWAL: May be; but this is discriminatory.

SHRI MATHEN (LIC): We will examine this.

PROFESSOR MANUBHAI SHAH: The Chairman of L.I.C. has rightly said that even men have not taken this policy. I can give you the reasons why it is so. In this policy most objectionable and highly unthinkable conditions are imposed viz. men must be the age of 45 or below. This is not the condition for whole life or endowment insurance policies. Secondly, even men must have first class family and medical histories,

which is not the requirement for whole life and endowment policies. In addition, there is a further provision which says that men should be employed in Government or semi-Government bodies, or in a commercial firm of repute. Even men can get this insurance cover only then.

MR. CHAIRMAN: Let us now go to another point. Coming to the split up, we are in a developing stage covering more and more human lives with cheapest insurance. There are 135 thousand post offices all around the country whereas the LIC has only 1,000 post offices or a little more around the country. The postal life insurance happens to be the cheapest both in respect of premium rates as well as the bonus. These compare favourably with the LIC. To-day the postal life insurance cannot be taken by the people because of the restrictive conditions imposed namely that it is available only to Government employees, semi-Government employees, nationalised bank employees and university teachers and professors. Postal life is cheap and operates successfully. That is because they have 1,35,000 offices all around the country. They can serve better. Why not LIC serve better? We are bringing in the split up issue as only a ground for competition. It will not encourage the corporations to go into the rural areas. It is better for the LIC to take up the business and cover the uncovered masses. This should not be an inhibiting factor for the split up. In the context of competition what we are saying is this. In regard to annuity and pension the rate offered by L.I.C. is much lower than the interest offered by the nationalised banks and Government Corporations. Thus, even inspite of lower annuity income the principal amount is exhausted in case of L.I.C. annuity policy whereas with higher interest income the principal amount remains intact with nationalised banks and Government corporations e.g. with Rs. 1000 available with approved superannuation fund, the person retiring at the age of 58 will get

annuity per annum at Rs. 102. For 15 years certain and thereafter for life the principal amount of Rs. 1000 is exhausted while the same Rs. 1000 can earn Rs. 110 to Rs. 114.5 perpetually keeping the principal amount of Rs. 1000 in tact.

Our suggestion is that it must be made abundantly clear that in regard to the pension and annuity there is no element of human life involved. So, this must be kept out of the purview of the L.I.C. Act. This is a hard-earned saving of millions of people of the country. These are not to be mortgaged with such a pittance that is available to the individual annuitants or pensioners, it will be possible for the LIC to be made more viable and more remunerative if it is split up into five autonomous corporations on a competitive basis. These are the grounds under which we are supporting the proposal for split up.

MR. CHAIRMAN: You tell us about the policy holders advisory council.

PROF. MANUBHAI SHAH: There are two major aspects to it. We want to bring to your notice through the memorandum certain recommendations of the various Committees. In the U.K., as you know, many of the services in U.K. have been nationalised. These are: Transport, Electricity, Coal Mining and so on and so forth. Government of U.K. is terribly concerned with this. It is agreed that there must be minimum interference by the Government, in the management of the Corporations. The Corporations must run efficiently economically and on business principles. There must be an enormous involvement of the consumers. In this case, the policy holders are the consumers in the matter of decision-making, assistance or, what we call, participating in management as such because, ultimately it is they who have to pay the price for the inefficient or unremunerative operation of the monopolistic nationalised undertakings or misuse or illuse of

the monopolistic board of the nationalised undertakings. We have spelt out this extensively in this particular submission made to you about the recommendations made by various Committees of the nationalised undertakings in U.K. There, the major thrust has been three-fold—first is the participation of the consumers in decision-making processes...

MR. CHAIRMAN: At what level? Is it at the Corporation level?

PROF. MANUBHAI SHAH: It should be at the Corporations level and not at the Governmental level. They may or may not be the members of the Board. That is not very relevant here. In England, it has a tradition that if they do not agree in regard to any of the recommendations made by the Committee of this kind, it is for the Ministers to give reasons as to why they are not accepting any of the recommendations of the Committee. This is the U.K.'s tradition.

MR. CHAIRMAN: The Bill has provided for the Government to nominate certain persons in Corporations. What do you say to this?

PROF. MANUBHAI SHAH: We have suggested already. In our submission, these nominations should not be made by the Government because our apprehension is that many of these appointments happen to be highly politicised. We have, therefore, submitted that these people should be nominated by various professional bodies in the country like the National Council of Applied Economic Research, Indian Institute of Management, Ahmedabad, Bangalore and Calcutta, the Institute of Chartered Accountants and the Institute of Indian Society meaning thereby the Government may specify the professional organisations whose nominees will be on the board. The professional organisations should be free to nominate anyone from their members. This is where we want to protect the policy making bodies so that they are not being politicised.

MR. CHAIRMAN: What about the Chairman? Should he be elected or nominated person?

PROF. MANUBHAI SHAH: He should be nominated by the Government because we accept the basic fact that the life insurance fund is basically the responsibility of the State and, therefore, the State has to have a Chairman who would be answerable to what is happening to it. Our major concern is that the people on the board, or on the rating committee should look into the premium rates. There are also the other committees like the policy advisory committee, mortality committee, premium table committee. All these Committees should have their nominees recommended by a professional body rather than their being appointed by the Central Government by nominations. Our anxiety is only to avoid the political patronage in this kind of appointment, so that, the people can play their role more effectively and more fearlessly and meaningfully.

MR. CHAIRMAN: Have you anything to say about the formation of the bodies?

PROF. MANUBHAI SHAH: We have already mentioned that our concern has been that the Board, as it is contemplated in the Bill to-day would not be able to act effectively because the Board has not been given the powers for supervision, co-ordination and the policy-making.

MR. CHAIRMAN: This Board has been given the power of coordination and they can also supervise.

PROF. MANUBHAI SHAH: I will explain that. We are making this submission that many of the decisions are still to be taken by the Central Government—not by this Board.

MR. CHAIRMAN: The Central Government lays down the policy. The policy is to be carried out by the Board. It will take its own decision. You will kindly go through

Clause 15 of the Bill. Also go through Clause 20. Clause 20 says:

"Subject to the other provisions of this Act and the rules thereunder, the Board shall, from time to time, review the functioning of each of the Corporations and render such service to any Corporation as it may deem fit for the promotion of such measures as are, in its opinion, conducive to the development of life insurance business".

You also go through Clause 20(2). You will find how the Board can function.

PROF. MANUBHAI SHAH: This scheme of the Bill still leaves the Board with an advisory character. Therefore, the Board is there but to guide and advise and not to take decisions. Our submission is that this Board should be a decision making body.

MR. CHAIRMAN: I request you to go through the Bill because I feel that the Board is a decision making body. They are only to follow the main policies given by the Government.

PROF. MANUBHAI SHAH: I have got one or two points more. About the tribunals, at the outset, I must express my sense of gratitude to the Petitions Committee of Parliament and to the Central Government for taking a decision to constitute a claims tribunal. But we want an insurance tribunal with larger jurisdiction. The concept of the claims tribunal incorporated in the Bill is only dealing with maturity and death claims. But if we look at the complaints that we receive, those complaints range over a wide variety of subjects like rejection of proposal form, loans being granted or refused, revival of policies or lapse because of one reason or the other, etc. A large number of complaints that we are receiving, are not only related to submission of claims, but they

relate to a large number of other issues. If a monopolist corporation refused to insure any one for whatever reasons, where would the person go? That is why, we want to call it an insurance tribunal and not the claims tribunal.

About investment, even today under the approved guidelines applicable to provident fund and superannuation fund and even the trust money belonging to the people are allowed to be invested in the kind of annuities which provide 11 per cent interest. But the LIC is getting only 8 per cent interest. LIC is facing a fierce competition from other forms of savings. The whole policy in respect of investment keeping in view the need for safety, needs to be re-examined. Our suggestion is that this Bill should provide larger autonomy to the Corporation in respect of investment. If not, they can certainly be allowed to invest in the kinds of annuities where the interest rate is more.

MR. CHAIRMAN: Thank you very much. I assure you that we will take into consideration all your points.

SHRI SATISH AGARWAL: During your research, have you come across the type of cases whereby the LIC refused payment after the death of insurers for the very petty sums and those cases were decided in favour of the deceased's heirs by the courts?

PROF. MANUBHAI SHAH: In Ahmedabad itself, we had the most unusual case. A person had taken an insurance cover for a sum of Rs. 11,000. The policy was taken in the month of June and the person had one day of malaria in April and one day of malaria in May. The person died after a number of years. The LIC took the contention that the insurer did not disclose this material fact. The court had made extremely derogatory remarks on the LIC. I had brought this fact to the notice of the then Chairman,

Mr. Joshi. He was terribly upset. Ultimately the court directed the LIC to pay Rs. 11,000 with interest and also made derogatory remarks against the LIC.

Another case was the case of one woman who had taken insurance cover for Rs. 13,000 in February 1976. She delivered a child in September 1976 and she died after three years of the date of delivery of the male child and the cause of her death was renal failure. When she died, the LIC made the contention that the woman had not disclosed the material fact that she was pregnant at the time the form was filled by her. Our investigation showed that it was too early a stage of pregnancy and therefore, she herself did not know about it. Secondly, she was examined by the LIC doctors who could not make out that she was pregnant. As I mentioned, her death had nothing to do with the pregnancy and that too after three years of the date of delivery of the child. And that child is today alive, and that woman's name was Mrs. Urvashi Bakshi. That was a case where the claim was rejected. When the Era Sezhayan Committee visited Ahmedabad, at that time we pointed out the details of this case and the LIC finally paid 75 per cent of the sum assured. Since her husband wanted to leave the country immediately, he was not willing to fight the case in the court of law. Had he been continuing in India we would have taken up his case and we would have made the LIC pay the total amount. There are a multiplying number of cases like this. These are the complaints which we receive in Ahmedabad.

SHRI SATISH AGARWAL: Can you submit such types of cases with illustrations along with the court judgements?

PROF. MANUBHAI SHAH: Yes.

SHRI BRAJA MOAHN MOHANTY: I want some clarification. So far as

year Memorandum is concerned, it is not that the Life Insurance Corporation can be split up into 5 or 6 corporations, but it should have operational jurisdiction in the entire country and at the same time it should be 100 per cent autonomous.

PROF. MANUBHAI SHAH: Yes.

SHRI BRAJAMOHAN MOHANTY: You again canvas that it should be the Central Government who should have the authority to restrict so that the competition should not reach a point of cut-throat competition or should not lead to a point where only the survival of the fittest will be there. Naturally, should I take this way that you accept not full competition, but limited competition and you also want limited autonomy, not full autonomy? Firstly you say that it should be fully autonomous. The second thing you say is that it should be fully competitive. At the same time you say that in order to check the malpractices, in order to check the cut-throat competition, the Union Government should have the power to put restrictions so that the situation should not reach a point where the survival of the fittest will be there. Naturally I take it that you canvas for limited autonomy and limited competition, and at this stage you accept the public ownership of the corporation. Ultimately it may be that it will be passed on to the private hands.

PROF. MANUBHAI SHAH: This is not our view.

SHRI BRAJA MOHAN MOHANTY: You said, 'For a while' In the first line you say, 'For a while we are not worried whether it is in the public sector or in the private sector, but we are worried about the service to the consumer. So, I want to know whether you want that it should go to the private hands. I want a clarification on this.

Another thing you have pointed out relates to the all India operation and it should be competitive with General Insurance. Then you pointed

out that so far as the objective is concerned, what is the basic purpose of competition, whether it would be for the service of the people or it would be for obtaining higher and higher profit. You have then pointed out that the State should put some restrictions so that there will not be any confusion in the objectives. In view of this, your stand is for limited competition and limited autonomy. Is it not?

PROF. MANUBHAI SHAH: I would clarify like this. The Government has to play a role because of the very fact that under nationalisation all the funds should vest with the President of India and therefore, the Government is answerable to the Parliament of the country. And since the Government has got statutory obligations in relation to the law constituting the Corporation and since the Government has to issue from time to time policy guidelines or directions, therefore, under the Parliamentary democracy when the Government is answerable to Parliament, there cannot be any autonomy of an unlimited nature because Government is primarily responsible to the Parliament of the country and therefore, to the people of the country. Therefore, the accountability of Government is larger from this point of view. Secondly, we are not against competition, but we are concerned about the unhealthy competition meaning thereby we are concerned about the commission being paid to various persons and so on. So, our concern is against unhealthy and unfair competition, not against competition *per se*.

SHRI BRAJA MOHAN MOHANTY: How do you think that unhealthy competition can be checked?

PROF. MANUBHAI SHAH: Today in respect of the competition among the private sector also, the Government has a role to play. For example, if the powerloom sector produced a fabric where consumers are being cheated, has the Government not a role to play? So, we submit that the Government has a role to play in the

context of unhealthy competition leading to cheating of consumers. We have made a consistent approach in our submissions as a whole, and I have mentioned at the outset, 'We are not suggesting for a while'. What I mean is that even for a moment we are not suggesting denationalisation. What we are saying is that this competition will be between the public Corporations themselves to promote and protect consumer interests. So, the competition is not for the sake of competition only, the competition becomes an enormous pressure on accountability to perform well, serve well the changing needs of society. And these can be taken care of by competitive forces.

SHRI BRAJAMOHAN MOHANTY: You quoted the observation of a Judge in USA wherein he had said that the State was no longer the sole custodian of people's welfare, but that private sector also could be relied upon for the welfare of the people. Is it possible in India, i.e. can private organisations be relied upon 100 per cent?

PROF. MANUBHAI SHAH: Nobody can be 100 per cent responsible, anywhere in the world.

SHRI BRAJAMOHAN MOHANTY: Even in USA, things are changing. I do not want to quote the history of USA or UK. The problem is whether in Indian conditions, it is possible for the State to do away with all the responsibility for the welfare of the people.

PROF. MANUBHAI SHAH: We have not taken the extreme position in either direction; but we say that the Government is not the only protector of public interest. There, we gave the example of 55 per cent of litigations in the country being against the State, to protect consumers' interests. But I do not suggest withdrawal of State from this field.

SHRI BRAJAMOHAN MOHANTY: You must have seen the provisions made in the Bill. Regarding Claims Tribunal, it relates to some specific items viz. death claims and mortality

claims. If you want an Insurance Tribunal, it will cover all the cases. These are cases of a summary nature.

But regarding the entire Governmental disputes within the purview of the Statute, will they not reach a stage where all sorts of disputes will be summarily disposed of, and the civil courts' jurisdiction will be denied?

PROF. MANUBHAI SHAH: No, for two obvious reasons; because in our situation where there are no alternatives for the policy-holders to go anywhere, if the proposal is rejected by LIC, can a civil court enter into a case i.e., where LIC refuses to give a policy? Our studies have shown that even in the case of death claims, it has taken anywhere from a minimum of five to a maximum of 18 years, when ultimately the High Court decided the matter. So, a child left by the father at the age of two, gets the insurance money at the age of 20. So, the purpose of insurance is defeated. So, when people do not have the choice—whereas there are 1700 insurance companies or 500 elsewhere—there is need for a cheap and quick remedy. Elsewhere, if one insurance company refuses, the man can go to another.

श्री राम लाल राही : आपके विचारों के अनुसार, जहाँ तक मैं समझा हूँ, आपने विभाजन का तो समर्थन किया है लेकिन आपने यह विचार भी व्यक्त किए हैं कि निगम और अधिक स्वायत्ततासी होने चाहिए। मान लीजिए विभाजन कर दिया जाए तो उससे एक फर्क तो यह आयेगा कि कहीं पर व्याज दर और दूसरी सुविधायें ज्यादा होंगी और कहीं पर कम होंगी। दूसरी बात यह है कि मान लीजिए मैं यू०पी० का रहने वाला हूँ और मेरा ट्रॉसफर गुजरात में हो गया तो मान लीजिए यू०पी० में ज्यादा सुविधायें थीं और गुजरात में कम सुविधायें हैं, तो इसका असर नहीं पड़ेगा क्या ?

PROF. MANUBHAI SHAH: That is the very reason why we are opposing the split on zonal basis. We say that these must be all-India corporations. In General Insurance, there are different companies operating all over the country. Whether they have headquarters in Calcutta or Madras, the operations are across the country. So, we favour the split of LIC, but not necessarily on a zonal basis. They should be all-India bodies, which means that any citizen across the width and breadth of the country will have freedom to take insurance policies from any of the corporations located anywhere. So, the problems which you speak about, if you have zonal division of the present LIC, will disappear.

जी राम लाल राही : सन् 1956 से लेकर 1983 तक का जीवन बीमा निगम का जो स्वरूप है उसके प्रत्यक्ष उसने काफी प्रगति की है और अपने कारोबार को काफी बढ़ाया है। इसके बावजूद उसके कार्य में कोई विघटन डाला जाए—बैज्ञानिक या अन्य प्रकार का—तो क्या आप ऐसा महसूस नहीं करते कि उससे यह संगठन हतोत्साहित होगा ?

PROF. MANUBHAI SHAH: Our answer to this is that it is not important as to what the LIC has done. It is understandable that it is the only monopolistic body which can mobilise insurance business. Therefore, in our humble opinion, the achievement made by the LIC is not much. Much more could have been done. The objective of the Bill is that the LIC should develop its business to the best advantage of the community. This is the phrase used in Section 10 of the LIC Act.

MR. CHAIRMAN: Therefore, this Bill has been introduced.

PROF. MANUBHAI SHAH: That is all right.

SHRI V. M. JADHAV: The objective of this Bill is that all the five

zonal corporations should be allowed to compete with one another by authorising them to carry on life insurance business beyond their zones. So, when we are forming different Corporations, why should they be allowed to compete with each other beyond their jurisdiction? I cannot understand this. The LIC should open for that purpose new offices where the population is less than 25,000 with the permission or approval of the Central Government. When once you decide on the nationalisation and then decentralisation and then the competition, can't you say that no office should be opened if the population is less than 25,000? According to you, the objective of the LIC has not been fulfilled. You have also said that each corporation should consist of leading and responsible intellectuals. Who are the intellectuals and non-intellectuals who are working in the corporations. I do not understand this. You will please clarify this point.

PROF. MANUBHAI SHAH: I will clarify this. What we have suggested is this. We are trying to submit to you that what is contemplated in the Bill is the zonal corporation. They need not be called Zonal Corporations but we want to call them as autonomous all-India Corporations. I was giving a similar analogy of the GIC and its subsidiaries which are operating across the country. We want competition to take place beyond the zones. We have clarified this at great length by saying that the opening of offices should be allowed in towns below 25,000 of population only with the permission of the Government. Sometimes one has to look at the economy. We want that no office be opened in towns which have below 25,000 population. This may be done only with the permission of the Government.

SHRI V. M. JADHAV: If you say that offices be opened even in cities which have more than 25,000 of population, that means in Gujarat and Andhra Pradesh, there are talukas and blocks having less than 25,000

of population. We have to obtain the permission from the Government. It will take a lot of time. If you feel that the permission of the Government is a must, then the business will be affected.

PROF. MANUBHAI SHAH: We suggest this with a view to ensuring some measure of economy. It has happened in my region. We take one area for instance. You will find that 10 or 12 banks are operating in one small area whether it is in Dhariapur locality or Kalupur locality. In my State, in one area, 12 banks are operating. This was the concern we expressed. We are not opposed to the idea of the LIC covering more people.

We suggested one more alternative viz.

Since we have already a net work of 1,35,000, post offices across the country the postal insurance policies are much better both in respect of lower premium and higher bonus. We have also suggested that there should be a policy for covering life only where there is not an element of saving or investment. But they provide cover against risk of death. We share your anxiety and concern to cover as many people as possible in those areas as you like.

SHRI JANARDHANA POOJARY: Prof. Shah, you have stated that you have got some objection in the expressions used such as the Central zone, Eastern zone, Northern zone or Western zone. Here it is confined only to a particular zone.

PROF. MANUBHAI SHAH: No, sir. There is a confusion here. We want that they need to be changed.

SHRI JANARDHANA POOJARY: You feel that this particular business is confined to one region and there is no power for the corporation to go beyond that region to do the business.

PROF. MANUBHAI SHAH: We would suggest that let this be made explicitly clear rather than inference being drawn. What we are submitting here is that the corporation or by whatever name, it is called, shall canvass or undertake or solicit business across the country. On reading the Bill, we feel that instead of drawing inferences, let it be made explicit in the Bill itself that there is no bar against the Corporation's soliciting business.

SHRI JANARDHANA POOJARY: Is there any bar that the corporation cannot solicit business?

PROF. MANUBHAI SHAH: There is no bar as such. There is no express provision therein that the corporating shall carry on business across the country. So, we want you to make it explicit in the Bill itself. That is our submission.

SHRI JANARDHANA POOJARY: You have also stated that the LIC, from the consumers' points of views, have demonstrably failed. You have stated that in your note on page 5. You can submit a comprehensive note on any other points which you want to make.

PROF. MANUBHAI SHAH: We want to point out here that in the memorandum itself which we have given to-day, we have highlighted by illustrations and we have come to the conclusion that the LIC has demonstrably failed.

DR. NIRANJAN NATH: Sir, we from the Consumers' Protection Association fully agree with the points made by Prof. Shah and support him.

PROF. MANUBHAI SHAH: We are much obliged to you for the long and patient hearing given to us. Thank you very much.

(The witnesses then withdrew)

(The Committee then adjourned)

RECORD OF EVIDENCE TENDERED BEFORE THE JOINT COMMITTEE ON THE LIFE
INSURANCE CORPORATIONS BILL, 1983

Thursday, 17 May, 1984 from 1000 to 1100 hours in Circuit House, Gandhi Nagar,
(Ahmedabad).

PRESENT

Shri Mool Chand Daga—Chairman

MEMBERS

Lok Sabha

2. Shri Satish Agarwal
3. Shri Nurul Islam
4. Shri Ghayoor Ali Khan
5. Shri Braja Mohan Mohanty
6. Shri Ram Lal Rahi
7. Shri M. S. K. Sathiyendran
8. Shri Natvarsinh Solanki

Rajya Sabha

9. Shri Lal K. Advani
10. Shri Vkhairao Madhavrao Jadhav

SECRETARIAT

Shri R. S. Mani—Senior Legislative Committee Officer.

REPRESENTATIVES OF THE MINISTRY OF FINANCE (DEPT. OF ECONOMIC AFFAIRS)
(INSURANCE DIVISION)

1. Shri H. M. S. Bhatnagar—Additional Secretary.
2. Shri R. K. Mahajan—Controller of Insurance.
3. Shri S. D. Raheja—Under Secretary.
4. Shri A. S. Gupta—Current-in-Charge and Managing Director.
5. Shri N. Kalyanaraman—Zonal Manager.

WITNESSES EXAMINED

EMPLOYEES' STATE INSURANCE CORPORATION EMPLOYEES' UNION, AHMEDABAD

Spokesmen:

1. Shri Mahendra Shakarabhai Patel
2. Shri Daya Shankar Vidyarthi
3. Shri Amrutlal Chunilal Raval

Employees' State Insurance Corporation Employees' Union, Ahmedabad

Spokesmen:

1. Shri Mahendra Shakarabhai Patel
2. Shri Daya Shankar Vidyarthi
3. Shri Amrutlal Chunilal Raval

(The witnesses were called in and they took their seats)

MR. CHAIRMAN: Before you start, I may point out that in accordance with the provisions contained in Direction 58 of the Directions by the Speaker, your evidence shall be treated as public, and is liable to be published, unless you specifically desire that all or any part of the evidence given by you should be treated as

confidential. Even though you might desire your evidence to be treated as confidential, such evidence is liable to be made available to the Members of Parliament.

Would you like to make any general observation over and above what you have stated in your memorandum?

SHRI VIDYARTHI: In this Bill we have seen that the LIC is being splitted into five zones. Our fear is, by doing that the administrative cost will go up. More posts are to be created which will involve lot of money. Government do not have sufficient money. So, splitting of LIC is an additional burden on the people.

Already the LIC is collecting more premium and giving less bonus as compared to private sector like Peerless. If it is splitted, then the premium rate will go up and the bonus will go down.

MR. CHAIRMAN: Do you agree with the principles of the Bill?

SHRI VIDYARTHI: No, Splitting is not in the interest of the public. Secondly, LIC employees will be losing their right to go to the court by having Service Matters Tribunal. This Tribunal will be from the Government side. It is doubtful whether they will get full justice there or not. It has been mentioned that no award from any other court can be quoted in that tribunal. Service rules were framed during the British days. Now, the Government should be more liberal. It should allow employees to join any political party.

MR. CHAIRMAN: When rules are framed under this Bill you can examine them and raise your objection at that time. You can very well examine the Bill and send your objections in writing.

SHRI VIDYARTHI: But nobody will be listening to us.

MR. CHAIRMAN: But there is a Committee on Subordinate Legislation for this.

Would you like to raise any other matter?

SHRI NURUL ISLAM: Mr. Patel, do you agree that the LIC should explore the potential of the vast rural areas of the country?

SHRI PATEL: Yes, definitely.

SHRI NURUL ISLAM: For which the efficiency of the LIC should be increased. Is it not?

SHRI PATEL: Yes.

SHRI NURUL ISLAM: Do you agree that in view of the splitting up of the Railway Administration into several zones, it has neither affected the workers nor the passengers?

SHRI PATEL: Yes.

SHRI NURUL ISLAM: Do you agree that the division of labour generally increases the efficiency?

SHRI VIDYARTHI: Yes.

SHRI NURUL ISLAM: Do you agree that the proposed splitting up of this organisation will provide many avenues for promotion and fresh employment?

SHRI PATEL: Yes.

SHRI NURUL ISLAM: Suppose this Bill is going to be adopted as it is by the Government. What lacuna do you desire to be removed? Have you found any lacuna in the Bill except this splitting up?

SHRI PATEL: There is no lacuna. But the administrative costs will go up. That is the only thing.

SHRI BRAJA MOHAN MOHANTY: You said about the political rights of the employees. That means, right to participate in the elections etc. May I know if you have got the information whether in any of the public sector undertakings in India such rights are allowed to the employees?

SHRI VIDYARTHI: What I submitted is, this facility should be given to us also.

SHRI BRAJA MOHAN MOHANTY: But has it been given to any employees of the public sector undertakings?

SHRI VIDYARTHI: Suppose it is not there. Even then we want. Why should we not get this privilege?

SHRI VITHALRAO MADHAVRAO JADHAV: You have just now said that the administrative cost will go up. Don't you think that business also will be expanded at the same time? In your Memorandum you have compared the State Bank of India with the LIC. Don't you agree from your own statistics that when the staff is increased, that means the work has also increased? In the same way, when the profits of LIC are more, but the employment is very less, it is just 48,297, that means more work for the employees. When the work has increased, in the same way the employment also will be increased. With the split up the work will increase and employment will also get increased. Is it not?

SHRI VIDYARTHI: We don't agree. Without splitting up this LIC you can increase the business; that means, the work can be increased. The State Bank is not split up into zones; the State Bank and its subsidiaries are one.

SHRI VITHALRAO MADHAVRAO JADHAV: But how can the welfare of the employees be affected by the split up of the LIC?

SHRI VIDYARTHI: By dividing the LIC employees into five zones, I think you are weakening our Union also.

SHRI VITHALRAO MADHAVRAO JADHAV: Now you have given the correct answer.

SHRI VIDYARTHI: We are one Union, we are concerned with our bargaining power. But if you split up the LIC, that means you are dividing us also at the same time.

SHRI VITHALRAO MADHAVRAO JADHAV: So, other Unions also will come up. Is it not?

SHRI VIDYARTHI: Yes. The Government wants to see that the employees should not have one Union only. They should have many Unions so that they can fight with each other.

श्री राम लाल राही : विद्यार्थी जी, आपने बताया है कि इस बिल को लाने से घोर पांच जोन बनाने से प्रशासनिक खर्चा ज्यादा बढ़ जाएगा। जब कोई काम किया जाता है, जैसे कोई बिल्डिंग बनानी है, उसमें एक ही कमरा बनायेंगे तो कम स्पेस होगी और 10 कमरे बनायेंगे तो ज्यादा स्पेस होगी, उसी तरह से जीवन बीमा निगम को विभाजित किया जायेगा तो उससे काम की एफिसिएन्सी बढ़ेगी—ऐसा आप महसूस करते हैं ?

श्री विद्यार्थी : विभाजन होने से एफिसिएन्सी बढ़ती भी है और घटती भी है। ऐसा कोई नियम नहीं है कि विभाजन से एफिसिएन्सी बढ़ेगी ही।

श्री राम लाल राही : ग्राम लोगों की धारणा है कि विभाजन से एफिसिएन्सी कम बढ़ेगी।

समाप्ति न्होवच : एफिसिएन्सी बढ़ती कब है और घटती कब है ?

श्री विद्यार्थी : यह तो मैनेजमेंट पर डिपेंड करता है।

श्री राम लाल राही : 1956 से लेकर आज तक का एल आई सी का अनुभव तो यह है कि उसका काम बढ़ा है लेकिन वह ग्राम तौर से शहरों तक ही सीमित है, करल एरियाज को ज्यादा टच नहीं किया है, देहात के लोगों को उसका लाभ नहीं मिल रहा है। इसी बात को ध्यान में रखकर सरकार ने यह निर्णय लिया और इस बात को मुनासिब समझा कि इसको पांच जोन्स में विभाजित

क्रिया जाना चाहिए। यदि ऐसा न किया जाए, तो इस उद्देश्य की प्राप्ति कैसे की जा सकती है ?

श्री बिछार्षी : आज गांवों में ब्रांचेज खोलकर इस काम की शुरुआत की जा सकती है।

श्री राम लाल राही : इतने दिनों में क्या आपकी यूनियन के अधिकारियों ने निगम को कभी यह सुझाव दिया कि छत्ते गांवों की तरफ भी जाना चाहिए और वहां के लोगों को भी इसका लाभ मिलना चाहिए ?

श्री बिछार्षी : 1956 में एल आई सी का एक्ट बनाया। उसके अन्तर्गत जो सरप्लस होता था उसका पांच परसेंट सेन्ट्रल गवर्नमेन्ट ने अपने पास रखा लेकिन उसको एल आई सी के डेवलपमेन्ट के लिए इस्तेमाल नहीं किया। इसीलिए आज गांवों तक निगम की पहुंच कम हुई है। गांवों में आफिस खोलकर इम्पोर्टेस बिजनेस नहीं किया गया। लेकिन इस कमी के लिए आई एल सी की ट्रेड यूनियन्स जिम्मेदार नहीं हैं बल्कि सरकार ही स्वयं जिम्मेदार है।

MR. CHAIRMAN: Thank you.

(The witnesses then withdrew)

(The Committee then adjourned)

RECORD OF EVIDENCE TENDERED BEFORE THE JOINT COMMITTEE ON THE LIFE
INSURANCE CORPORATIONS BILL, 1983

Friday, 18 May, 1984 from 1500 to 1825 hours at Vidhan Bhavan, Room No.
2001, Bombay.

PRESENT

Shri Mool Chand Daga—Chairman

MEMBERS

Lok Sabha

2. Shri Satish Agarwal
3. Shri Nurul Islam
4. Shri Ghayoor Ali Khan
5. Shri Braja Mohan Mohanty
6. Shri Kusuma Krishna Murthy
7. Shri Ram Pyare Panika
8. Shri Bapusaheb Parulekar
9. Shri Janardhana Poojary
10. Shri Ram Lal Rahi
11. Shri K. A. Rajan
12. Shri M. S. K. Sathiyendran

Rajya Sabha

13. Shri Lal K. Advani
14. Shri Vithalrao Madhavrao Jadhav
15. Shri Rameshwar Thakur

SECRETARIAT

Shri R. S. Mani—Senior Legislative Committee Officer.

**REPRESENTATIVES OF THE MINISTRY OF FINANCE (DEPT. OF ECONOMIC AFFAIRS)
(INSURANCE DIVISION)**

1. Shri H. M. S. Bhatnagar—Additional Secretary.
2. Shri A. S. Gupta—Current-in-Charge and Managing Director.
3. Shri R. K. Mahajan—Controller of Insurance.
4. Shri S. K. Purkayastha—Director (Insurance)
5. Shri S. G. Subrahmanyam—Executive Director (Investment)
6. Shri S. D. Raheja—Under Secretary.

WITNESSES EXAMINED

I. All India LIC Employees Federation, Bombay

Spokesmen:

1. Shri P. P. Patil,
General Secretary.
2. Shri A. V. Nachane,
Joint Secretary.
3. Shri Pradip Ranjan Paul

II. Government of Maharashtra, Finance Department, Bombay.

Spokesmen:

1. Shri J. D. Jadhav
Secretary, Rural Development Deptt.

2. Shri A. B. Palekar,
Secretary Finance.
3. Shri R. H. Kumayat,
Deputy Secretary.
4. Shri V. B. Nane,
Director of Insurance

III. Shri J. R. Joshi, Ex-Chairman, LIC Surashree, 1146, Lakaki Road, Pune.

IV. General Insurance Employees, All India Association, Bombay.

Spokesmen:

1. Shri K. S. B. Pillai, General Secretary.
2. Shri J. G. Kothare
3. Shri P. P. Ravindranathan
4. Shri K. S. Samant
5. Shri V. R. Deshpande
6. Shri M. S. Upadhyay

V. National Organisation of Insurance Workers, 3AB, Hashim Building, Fort, Bombay.

Spokesmen:

1. Shri B. S. Dogra, General Secretary.
2. Shri M. S. Moghe, Organising Secretary.
3. Shri S. D. Kulkarni, Vice President.

VI. All India SC/ST Neo Buddhist LIC Employees Welfare Association, Bombay.

Spokesmen:

1. Shri V. K. Pagare, President.
2. Shri J. R. Jayant, General Secretary.
3. Shri S. N. Thakur, Ex. Comm. Member.
4. Shri K. K. Turkane, Office-Secretary.
5. Shri N. P. Meshram, Auditor.

I. All-India Life Insurance Corporation Employees' Federation, Bombay:

Spokesmen:

1. Shri P. P. Patil, General Secretary.
2. Shri A. V. Nachane.
3. Shri Pradeep Ranjan Pal.

MR. CHAIRMAN: Will you kindly introduce yourselves to the Committee?

(Shri P. P. Patil introduced himself and his colleagues to the Committee)

I may tell you that in accordance with the provisions contained in Di-

rection No. 58 of the Directions of the Speaker, your evidence shall be treated as public and is liable to be published, unless you specifically desire that all or any part of the evidence given by you is to be treated as confidential. Even though you might desire your evidence to be treated as confidential, such evidence is liable to be made available to the Members of Parliament.

SHRI P. P. PATIL: We have no objection for the publication of the evidence that we tender before you.

MR. CHAIRMAN: You have done a lot of work in your memorandum that you have written. This is almost a thesis on the subject. You want

that the whole Bill should be scrapped outright.

SHRI P. P. PATIL: That is right.

MR. CHAIRMAN: That is the sum and substance of what you have written. Now I am putting a few questions, and then my friends will put to you certain questions. I also expect from you relevant replies to certain points. We have already gone through the memorandum.

The first question which I want to put to you is this. In para 2.2 of your memorandum, you have stated that the Bill does not envisage simultaneous allocation of the assets and liabilities of the L.I.C. to the new Corporation.

Are you aware of the procedure which would necessarily have to be followed for determination of the assets and liabilities as on the date of reorganisation? In particular, do you know that the liabilities under the policies to the new Corporations as on the appointed day would have to be determined by the actuaries and it would also be necessary to allocate the assets for transfer to the new Corporations keeping in view that all the corporations will have balanced portfolios in terms of the types of investments and their maturity dates? Are you aware of the procedure?

SHRI P. P. PATIL: Yes, Sir.

MR. CHAIRMAN: You have stated that in page 33 of the Bill. Clause 4(1) states:

"On the appointed day, the rights and liabilities of the dissolved Corporation in respect of the policies of life insurance issued by it, and in force immediately before the appointed day, which were being serviced by a zonal office shall, subject to the other provisions of this Schedule, stand transferred to, and shall vest in, the corresponding Corporation".

You can go further to sub-clause (3) which says:

"The Central Government shall constitute a Committee consisting

of not less than three and not more than five persons who, in its opinion, have special expertise in the matter of evaluation and allocation of assets and liabilities of bodies corporate, for the purpose of evaluating and recommending the allocation of the assets and liabilities of the dissolved Corporation amongst the corresponding Corporations in accordance with the provisions of sub-paragraph (4)."

SHRI P. P. PATIL: No doubt that is provided for in the Bill. The point here is that you are going to set up a Committee—an Experts Committee—who will recommend to the Government. Suppose nothing is done before you actually consider the splitting up of the Corporation. Of course, on a particular date, the Committee will go into the details subsequently. We do not know how much time they will take and what they will do. In the meantime, the split-up is a *fait accompli*. We shall be confronted with the *fait accompli*. This matter will be taken up for consideration by the Expert Committee. We do not know what is going to happen. This seems to me to be a very dangerous position and it is not a correct position. The Bill has already provided for that.

MR. CHAIRMAN: As soon as the merger comes into force, they will see to it that it is implemented in a short time.

SHRI P. P. PATIL: As soon as the Bill comes into force, the Committee is going to consider this and decide about it. It will recommend to the Government of India. We do not know how much time it will take for them. This is going to be a very controversial affair. You are going to determine the liabilities and assets of each and every Corporation and distribute them and all that. It will be treated as distributed from the date of appointment.

MR. CHAIRMAN: I am pointing out to you that this is the provision that has been made. We expect to have your views.

SHRI P. P. PATIL: We are aware of this provision.

MR. CHAIRMAN: Do you agree with this?

SHRI P. P. PATIL: At the same time you will not know how you will set up the committee.

MR. CHAIRMAN: On reading your memorandum, I thought that you were aware of this provision. May I read or shall we put questions?

Are you also aware that since the policy-holders have been given an initial option to have their policies transferred to the Corporations of their choice, the effect of such option would also have to be taken note of while determining the policy liabilities to be allocated to the new corporations and the assets to be transferred to them?

SHRI NACHNE: Some committees which have gone into this question have pointed out that the division of assets and liabilities of the present Corporation is almost an impossible task on account of host of difficulties?

MR. CHAIRMAN: What are those obvious difficulties? After all, it has to be decided.

SHRI NACHNE: This is highly a technical subject. It has been explained in the report of the Morarka Committee.

SHRI RAMESHWAR THAKUR: When there is split naturally allocation of liabilities and assets is a difficult proposition, but it is not an impossible thing. And this will be done as per the appointed date.

SHRI PATIL: We rely very much on the opinion of the expert committee.

SHRI SATISH AGARWAL: But this is not very major point in your memorandum.

SHRI RAMESHWAR THAKUR: In every re-organisation this takes place. So, there is nothing new in it.

SHRI L. K. ADVANI: When you presented your case, you said that it

is impossible. I was surprised to see this. You are harping on a point which is not your subject. I would ask you not to labour on that point at all. It is not a major point. When assets and liabilities can be divided between India and Pakistan, why should there be difficulty in dividing the assets and liabilities of this Corporation?

MR. CHAIRMAN: You have suggested that in respect of the existing policies of the LIC, the bonus rate should remain uniform in future as well. What steps would you suggest to give effect to the same?

SHRI PATIL: When a policy is sold, the policy holder irrespective of which region he belongs, is entitled to draw the same rate of bonus. The sooner you split the Corporation, there is going to be different rates of bonus. With the result, the policy-holders who have been given a common rate of bonus, will not get it. Therefore, we suggest that the splitting of the Corporation has got to be stopped, because you are depriving the policy-holders of this benefit. So, I am totally opposed to the splitting of the Corporation.

SHRI K. K. MURTHY: Once the corporation splits region-wise, choice will be given to policy-holders to choose which corporation they want to opt.

SHRI NACHAE: But the policy-holder will not be able to know as to where his interest will be safe-guarded. It is also mentioned in the speech of the Minister that for expanding their business they will have the option to do business in other regions also. Also the Minister has stated in his speech that they can open offices in other regions. So the Corporations like the Western Zone Corporation which are in a position to assure higher bonus to policy holders start propagating 'this is the corporation that can give you the highest amount of bonus' and it is a fact and the policy-holders believe it and there will be a scramble among the policy-holders to trans-

for their policies to the Bombay Corporation. That itself will lead to chaotic conditions.

★ **MR. CHAIRMAN:** What remedy do you suggest?

SHRI P. P. PATIL: Our basic attack is on the split.

SHRI RAMESHWAR THAKUR: Can you kindly say whether your proposal is that there should not be a transfer of policy from one Corporation to another?

SHRI P. P. PATIL: No. But the transfer of policies will involve stupendous work leading to complete dislocation.

SHRI NACHANE: The competition cannot be healthy because all the five Corporations will not be working on par with each other.

SHRI P. P. PATIL: There are about 24 million policy-holders. Just imagine.

MR. CHAIRMAN: Everything is in your Memorandum, nothing is left out. The last report is that of Era Sezhiyan Committee, and they have covered all the points.

Now, the question is this. You said that the Bill would throw the employees out of the gamut of the Industrial Disputes Act. Is it correct? What was the last judgment of the Supreme Court? Do you know what was the finding of the Court?

SHRI NACHANE: We know it very well.

MR. CHAIRMAN: So, that is the law of the land. After all, the judgment is given by the Supreme Court.

SHRI P. P. PATIL: The judgment is not given as to whether the Industrial Disputes Act is applicable to these workers in LIC or not. The Supreme Court has not decided anything as to whether we are entitled to have the protection of the Industrial Disputes Act or not. It is the Government who brought the Bill seeking all unilateral powers to impose the will of the Government on the employees. We went

and challenged it. So, there is no question of whether we should be covered by the Industrial Disputes Act or not. The only question is whether the Government is justified in seeking powers of imposing their will on us unilaterally. The Act was all right. But it does not mean that we should not have the protection of the Industrial Disputes Act, it does not mean that collective bargaining should be given go-bye. The Supreme Court has not said anything of its own.

MR. CHAIRMAN: Should I read the contents of the Judgment? It will take a lot of time of course. Why should you not agree with it? After all, it is the Judgment of the court.

SHRI NACHANE: How do we agree? The ILO has also indicated the Government of India in respect of this legislative matter.

SHRI P. P. PATIL: Collective bargaining is the fundamental right of the working class. If it is going to be destroyed, which section of the working class will accept it? Industrial Dispute Act is also the law of the land.

MR. CHAIRMAN: You can move the court, the court has been established for this purpose, you can get the grievances redressed.

SHRI P. P. PATIL: There is no other court over the Supreme Court.

MR. CHAIRMAN: Why can't any of your employees go to a service court? Here I can read the judgment, but it is very long and it will take a lot of time.

SHRI P. P. PATIL: The Judgment does not say that the LIC employees should be kept out of the Industrial Disputes Act.

MR. CHAIRMAN: You can go to the Service Court for redressal of the grievances. The rules and regulations are framed there. You can examine them.

SHRI K. A. RAJAN: As it is, can the service tribunal go into the basic structure of all these things?

SHRI NACHANE: Its scope is so limited that it can take care only of any grievance arising out of observance of rules and regulations.

SHRI P. P. PATIL: When every section of the working class is given protection under the Industrial Disputes Act, why should we be deprived of it?

MR. CHAIRMAN: All right we have heard you. That is the point which you have stressed in your Memorandum throughout.

SHRI VITHALRAO MADHAVRAO JADHAV: You are just defending the interests of the workers. But what about the public?

MR. CHAIRMAN: In paragraph 5.5 you have referred to the fact that various operations in LIC are already decentralised. Is one to understand from what you have stated that the process of decentralisation with the measures so far taken is complete? Is there no scope for further decentralisation in areas pertaining to policy matters in which decision at present rests only in the Central Office which is far removed from the actual operational level?

SHRI NACHANE: There are two aspects here. First is about the needs of the policy-holders. In all these matters, possibly a wrong impression has been carried that since the LIC is monolithic organisation, the policy-holder is required to go to Bombay and enter into correspondence with the Bombay office only. Our contention is, and it is a fact, that so far as the policy-holder is concerned, all his needs are satisfied at the Branch level. We are having the decentralised set up and the LIC is going ahead with further decentralisation to such an extent that even at the Branch level all the needs of the customer are attended to. So, policy-holders are not affected by the size of the Corporation. Secondly about the administrative set-up you are

visualizing, we are pleading for it from 1956. The LIC Act provides sufficient authority to Government of India for the delegation of more powers to the zonal or divisional offices.

The members of the JC might think that zonal offices should function almost as autonomous entities, except in the case of premium rates etc. The final report of Era Sezhiyan Committee was referred to. You may feel that although there are provisions in the Act, there are inherent tendencies for over-centralization at the Central Office level.

MR. CHAIRMAN: Can you indicate a clause where you find that there is over-centralization?

SHRI P. P. PATIL: There is no institution like LIC where complete or almost complete decentralization has been done in favour of branches i.e. zonal or regional offices. Right from under-writing of a policy to the settlement of a claim, everything is done at the branch level. The policy-holder e.g. at Bareilly need not come to the divisional office at Lucknow or zonal office at Kanpur.

MR. CHAIRMAN: Do you totally oppose the principles of this Bill?

SHRI P. P. PATIL: We do not agree with the proposition that split and decentralization are one and the same thing. They are quite different. LIC is a monolithic organization having complete decentralization up to the lowest branch in the country. We have a highly mechanized system.

SHRI RAMESHWAR THAKUR: Is it not necessary to carry on the decentralization already prevailing in LIC further? Is it not a logical corollary; or is it contradictory?

SHRI NACHANE: In the existing LIC Act the zonal manager has got, for example, authority to open divisions in places he likes. But today the administrative function in some places is such that unless the matter goes to the Central Office, things cannot be done.

MR. CHAIRMAN: There, Government can take a decision. Please read clause 15. Government will take a decision. There is a Board which will give the guidelines.

SHRI P. P. PATIL: I am not talking about the five corporations but about the existing Corporation. They have got enough powers.

SHRI NACHANE: Even statutory changes can be made under the present LIC, Act as has been done in the State Bank of India Act so that all the five zones can similarly function with greater autonomy within the LIC Act, i.e. for the zonal offices.

MR. CHAIRMAN: Can you suggest certain amendments to the clauses of the present Bill?

SHRI P. P. PATIL: We want the Bill to go lock, stock and barrel. There can be compromise on this score.

SHRI RAMESHWAR THAKUR: In principle you accept the philosophy of decentralization. Then, is it not logical that things should be further decentralized by dividing LIC into five corporations?

SHRI NACHANE: Decentralization does not mean split up. If the present LIC is split up, it will be impossible to maintain the present uniform bonus for policy-holders of the five corporations, not only because their profits will differ but also because they will be functioning under different circumstances. For the policies coming under Central and Eastern Zonal Corporations, the bonus will be reduced.

SHRI P. P. PATIL: There cannot be any competition with the Western and Southern zonal offices, which are functioning better in better conditions as compared to other zones.

SHRI NACHANE: We talk about operational efficiency; but the question is that all the five corporations will be operating in altogether different areas. At present we observe that the average premium per policy, i.e.

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income which each policy brings to the Corporation on an average, is different in different regions. Irrespective of the sum insured the economic development of the country being so uneven, the income of each Corporation will be different. The same policy will not bring to the Corporation the same amount of income. Income will differ. Therefore, you will find that the renewal expenses ratio of Bombay Division of the LIC is as low as five per cent. The LIC's, Bombay Division operates in metropolitan cities where there are affluent sections. Most of the LIC policy amounts range from Rs. 20,000 to 40,000 and the amount goes up to Rs. 75,000 to 1 lakh. So the expense ratio is round about 5 per cent. If we go to North Bihar; it may go upto 25-27 per cent. Because they are operating in North Bihar, the value of the policy may range from Rs. 1,000 to 2,000—not beyond that. The profit that each Corporation can generate goes back to the policy-holders. It will vary from Corporation to Corporation. We would like you to examine the point as to how the five corporations will be functioning in altogether different conditions and how the profits differs from year to year. Now in North Bihar the amount of bonus that a policy-holder will get will be the same. But, once the Corporation is split up: Bombay policy-holders can get almost double the amount of bonus which the policyholders in Calcutta or in Bihar can get.

Therefore; it goes against the interest of the policy-holders. What is happening to-day is that all profits are pooled together.

SHRI SATISH AGARWAL: How does it go against the interests of the policy-holders? So far as Eastern and North zones are concerned, it is very much to the disadvantage of the policy-holders. But not for others.

SHRI NACHANE: We do not look at it from the parochial point of view.

SHRI SATISH AGARWAL: My point is that the Eastern zone or the northern zone cannot attract more

business. If they are able to persuade the Government to permit them to open branches in the western zone and make up the deficiencies thereof, they can also increase their profits.

SHRI NACHANE: I am coming to your point. In order to maintain the profit level, they can compete with the other Corporation by allowing higher bonus to their policy-holders. The tendency of the Corporations would not only be to concentrate on particular zones but also to rush to Bombay; Calcutta and Delhi also and try to get business from the affluent sections. All five corporations will concentrate on urban areas. It was also stated by the hon. Minister while introducing the Bill that one of the main objectives was to spread the message of insurance to the backward areas. Take the case of eastern and central zone corporations. Compared to Bombay or Madras; they will be operating at a disadvantage. The tendency of all corporations will be to rush to big cities and to approach the affluent sections and increase their profits.

MR. CHAIRMAN: You have stated all this in your memorandum. Now the hon. Members will put questions to you.

SHRI RAMESHWAR THAKUR: In the process of competition, they will be asked to go to the rural areas and expand their business. They will be taken care of their business by giving good bonus.

SHRI NACHANE: That is not possible. Once the Corporation is to compete with the other four corporations then the main consideration will be to give higher bonus. They will concentrate all their business in those areas which are of advantage to them.

SHRI SATISH AGARWAL: There are nationalised banks which are competing with each other throughout the country. Sometimes they are picking up business and sometimes they are not picking up business; sometimes, they make profits but

sometimes they are not making profits. Somehow or other they are able to get customers.

SHRI NACHANE: The bank interest rate is common.

SHRI SATISH AGARWAL: Suppose the Government is able to find out a mechanism whereby the bonus declared by all the Corporations should be uniform, then how do you react to it?

MR. CHAIRMAN: You may answer this since it is a pertinent question.

SHRI NACHANE: This is impossible to find out any such mechanism.

SHRI P. P. PATIL: If each corporation is going to do the valuation of bonus on its own, we want to know how this can be done? Bonus depends upon surplus resulting from valuation.

MR. CHAIRMAN: This is no answer. Mr. Mohanty.

SHRI BRAJAMOHAN MOHANTY: May I ask a question?

MR. CHAIRMAN: All right.

SHRI BRAJAMOHAN MOHANTY: I want you to enlighten us on two points. You must have studied earlier Section 49(2). You will find that the same provision has been incorporated in this Bill. How do you say that the workers' right has been taken away? You may not agree with me. But, the fact remains that under the Constitution, in regard to Article 31, the interpretation made by the Supreme Court is final. It is the highest authority of the law of the land. The Supreme Court has upheld that no fundamental right has been interfered with by incorporating the provision here. When the interpretation of the Supreme Court is final, how do you feel that your workers are being deprived of their rights? You may enlighten us on that.

SHRI PARDEEP RANJAN PAL: As regards the Supreme Court's judgment, the question arises whether Government has power to issue notifications under the existing LIC Act.

The court held that the Government had adequate legislative power. It has held that it can regulate the service conditions. But, nowhere, in the judgment, we find that anything has been stated by them in regard to the Industrial Disputes. Clause 68 specifically states:

"The provisions of this Act and the rules made thereunder shall have effect notwithstanding anything contained in the Industrial Disputes Act, 1947 or in any other enactment (other than this Act) for the time being in force...."

SHRI BRAJAMOHAN MOHANTY: Kindly read the whole of it. I may read it for your benefit. It says:

"The provisions of this Act and the rules made thereunder shall have effect notwithstanding anything contained in the Industrial Disputes Act, 1947 or in any other enactment (other than this Act) for the time being in force; or any judgment, decree or order of any court; tribunal or other authority or any agreement, settlement, award or other instrument for the time being in force."

This is the provision incorporated Section 69 is equally the same. Now tell me how you have been affected by this?

SHRI PARDEEP RANJAN PAL: For example if the Government decides that there will be no dearness allowance to LIC employees, I cannot question it under the Industrial Disputes Act, because I am out of it. I will go to the tribunal. But that body will not be competent to take up that case.

SHRI P. P. PATIL: Even the banks have been nationalised. But the Banks' employees have not been taken out of the Industrial Disputes Act. Why should it be applicable only in our case? This is a discriminatory treatment meted out to the LIC employees.

SHRI BAPUSAHEB PARULEKAR: Suppose, clause 68 is deleted and

Government takes certain steps to see that equal bonus is paid to the policy-holders, do you still have any objection? If these two problems are solved, have you still some objection for the splitting of the Corporation?

SHRI NACHANE: We have many other objections.

SHRI L. K. ADVANI: Yesterday we met the employees. They said that essentially because our capacity for collective bargaining is severely curbed in a split, therefore, we are against it. We can understand this statement. But if you look at the policy-holders, would the policy-holders accept this proposition that nothing is to be done in the LIC because it is working satisfactorily? So, what is your concrete suggestion?

SHRI NACHANE: At present we are having one single LIC. The investible funds are centralised. And the Corporation makes investment according to the guidelines to help the economically backward areas. The LIC has so far advanced huge amounts to electricity boards, housing, zila parishads etc. Take the case of loans and advances to electricity boards. Maharashtra collects nearly Rs. 227 crores by way of premium income. But look at Rajasthan.

MR. CHAIRMAN: But distribution of the money is done by the LIC.

SHRI PATIL: An impression should not go that we are against splitting because it affects the LIC employees. We are opposing it from the broader national interest.

SHRI BRAJA MOHAN MOHANTY: Will you kindly prepare a note and submit it as to what were your rights before 1981. I mean; the rights which were being enjoyed by the workers before 1981; and the rights enjoyed by them after 1981. Can you give an analysis of that?

SHRI NACHANE: Yes.

SHRI BRAJAMOHAN MOHANTY: You say that you are totally opposed

to the split of the Corporation. You will agree that there is a lopsided development so far as the insurance activities in the backward areas are concerned. There has been neglect of the under-developed areas where people are not receiving proper and concentrated attention. The basic thing is to concentrate in the under-developed areas. Without splitting up of the Life Insurance Corporation, do you suggest any other mechanism which lays stress on giving concentration to the under-developed areas?

SHRI NACHANE: We have submitted about this in our note.

SHRI BRAJA MOHAN MOHANTY: You say that the existing arrangement itself is decentralised.

SHRI NACHANE: We have suggested an amendment on the lines of the State Bank of India.

SHRI BRAJA MOHAN MOHANTY: Do you feel that by such mechanism we can answer the problem? That is what I want to know.

MR. CHAIRMAN: They have already suggested.

SHRI NACHANE: Yes and I must add that splitting will be counter-productive. That is what we are saying.

SHRI BRAJA MOHAN MOHANTY: On whether the mechanism that you suggest will answer the problem, have you made an analysis?

MR. CHAIRMAN: They stated their point.

SHRI BRAJA MOHAN MOHANTY: The basic problem is whether any analysis is made that the new mechanism will answer as far as the uniform pattern of the LIC is concerned.

SHRI NACHANE: We will submit a note on that.

MR. CHAIRMAN: Will you be giving a supplementary note?

SHRI NACHANE: Yes.

SHRI LAL K. ADVANI: It must be said that the basic opposition to the Bill has been spelt out lucidly.

SHRI SATISH AGARWAL: You deserve all compliments for justifying the position of the office bearers of your Federation.

SHRI P. P. PATIL: I hope the Joint Committee will consider our view point and recommend withdrawal of the Bill.

SHRI NACHANE: We urge the Government not to proceed with the Bill.

MR. CHAIRMAN: Thank you.

(The witnesses then withdrew)

**H. Government of Maharashtra,
Bombay.**

Spokesmen:

1. Shri J. D. Jadhav, Secretary, Rural Development Department.
2. SHRI A. B. Palekar, Secretary (Finance).
3. Shri R. H. Kamavat Deputy Secretary.
4. Shri V. B. Nane, Director of Insurance.

(The witnesses were called in and they took their seats)

MR. CHAIRMAN: Before you start, I may point out that in accordance with the provisions contained in Direction 58 of the Directions by the Speaker your evidence shall be treated as public, and is liable to be published, unless you specifically desire that all or any part of the evidence given by you should be treated as confidential. Even though you might desire your evidence to be treated as confidential, such evidence is liable to be made available to the Members of Parliament.

MR. CHAIRMAN: Would you like to make any observations about the Memorandum which you have submitted?

SHRI A. B. PALEKAR: Yes The main question is to bring about a small amendment to clause 59(d).

It is actually applicable to Government Group Insurance Scheme. The Government of Maharashtra decided that apart from State Government servants, employees of zilla parishads and panchayat samitis and other local bodies should also be covered under the compulsory insurance scheme. Therefore, with a view to bring about this particular change, a small amendment has been suggested to clause 59(d) whereby this could be arranged. Maharashtra wants to extend compulsory insurance to employees of local bodies. That is why we want that this Section should be slightly amended to govern these cases also.

SHRI RAMESHWAR THAKUR: You have stated in your amendment that Zilla Parishad employees and municipal employees should be treated as Government employees.

SHRI J. D. JADHAV: The employee of Zilla Parishads are treated as Government servants for the purpose of their service conditions, and salary. The entire salary amounts are paid to the Zilla Parishads by Government, but they are not employed by the State Government. So, they are not Government employees; they cannot be so, in the present situation. We think that as such they may not be covered by the provisions of this Bill. We feel that the same terms and conditions applicable to State Government employees should apply to employees of zilla parishads also, viz. a cover of Rs. 15,000/- for Class III and of Rs. 10,000/- for Class IV employees.

SHRI SATISH AGARWAL: This is a good suggestion.

SHRI J. D. JADHAV: The number of employees of zilla parishads and panchayat samitis together, in Classes III and IV would be slightly over 3 lakhs. I do not have complete information readily now about the number of those in the corporations and municipal bodies.

MR. CHAIRMAN: What will be the number of such employees in all the States put together?

SHRI J. D. JADHAV: If you desire that information, I will arrange to send it to you.

SHRI RAMESHWAR THAKUR: If you say that this benefit should be given to employees of semi-Government bodies, it will be better.

SHRI SATISH AGARWAL: Otherwise, suppose some other authorities are created in future by certain State Governments, whose employees are also treated at par with Government employees, then again the law will have to be amended. So, why not modify clause 59(d) as suggested by the witnesses, and also have an enabling provision to include bodies to be incorporated in future, in the case of group insurance schemes. Every State Government is not likely to initiate such a scheme.

(The witnesses then withdrew)

III—Shri J. R. Joshi, Ex-Chairman, LIC.

(The witness was called in and he took his seat)

MR. CHAIRMAN: Mr Joshi, before you start, I shall read out Direction No. 58 of the Speaker.

Your evidence shall be treated as public and is liable to be published unless you specially desire that all or any part of the evidence given by you should be treated as confidential. Even though you might desire your evidence to be treated as confidential, your evidence is liable to be made available to Members of Parliament.

Have you signed it?

SHRI JOSHI: Yes, Sir.

MR. CHAIRMAN: Would you like to make any observation?

SHRI JOSHI: First of all, kindly examine whether the provisions of this Bill will be helpful in translating the objectives into practice.

MR. CHAIRMAN: You agree with the principles of the Bill.

SHRI JOSHI: I do agree. The idea mentioned in the statement of objects and reasons is to improve the operational efficiency or the ability of the

Corporation to meet the challenges of the future as also more effective spread of insurance into the rural areas. These are very laudable objectives. I cannot disagree with them. I do not know whether this Bill is designed with a view to achieve these objectives. I have mentioned on my memorandum that there are many provisions in the Bill which have nothing to do with what has been stated in its memorandum of objectives. I have given a list of it in the memorandum which has been submitted to the Committee. The Office of the Board will be in Delhi. Is it the contention that if the Board is in Delhi it will be efficient but if it is in Bombay it will not be ?

The restriction put is that although the employees of the public sector undertakings and Government and their wives can take out agencies of UTI, National Savings Certificates, the LIC employees cannot take out agencies. Why is there discrimination against them? This has nothing to do with the efficient working of LIC or taking the Life Insurance to rural areas. It is stated that the LIC employees should not take part in politics. I see no reason why such a provision should find a place in the Bill. There should be a general clause to this effect applicable all over India, namely, that anybody who is a member of the public sector organisation will not take part in politics. When bank employees can take part, there is no reason why the LIC employees cannot take part? That won't be correct. Why should there be such a provision? I feel that if the objectives of the Bill are to be achieved, then we should not hit at the employees of the Life Insurance Corporation of India a wrong way. There is a provision in the Bill—an extraordinary provision—which is not there anywhere else. I can cite an example of one Shri Padmanathan who is posted at Gauhati. Tomorrow when five corporations are formed, he might retire from Gauhati. This is highly discriminatory. This

gentleman accepts the transfer liability and he should be transferred all over India. Once the corporation is split into five zones, this man all his life will have to live there.

SHRI LAL K. ADVANI: Suppose a person is in Gauhati to-day. When the new zones come into effect after the split up he has to be told about it.

MR. CHAIRMAN: That is not the idea.

SHRI J. R. JOSHI: Take the First Schedule, Clause 3(1) (a). It says:

"Subject to the other provisions of this Schedule, every officer or other employee of the dissolved Corporation,

(a) who was employed immediately before the appointed day in a zonal Office, shall become on and from that day, an officer or other employee, other employee, as the case may be, of the corresponding Corporation.

This need not be put in the Bill.

MR. CHAIRMAN: If you go through the statement of objects and reasons in the Bill, you will find that the persons employed in any Zone of the erstwhile Corporation would be so employed in the unit established for that Zone that they are not disturbed.

SHRI J. R. JOSHI: To-day he may be in Gorakhpur. He will not be disturbed. There may be a man from Gujarat or from Andhra who may be to-day in Gorakhpur. He will not be disturbed. By not disturbing, he will be prevented from going from there. My suggestion would be this. You need not send him immediately but you can send him after two to three years. There are so many South Indians in Gauhati and elsewhere in U.P. Bihar etc.

SHRI RAMESHWAR THAKUR: See page 32 of the Bill, Sub-Clause (4) which says:

"Notwithstanding anything contained in the fore-going sub-paragraphs, it shall be open to any officer or other employee of the dissolved Corporation to opt in favour of

not being an officer or other employee of the concerned Corporation by giving one month's notice of such option to such Corporation."

SHRI J. R. JOSHI: He will have to retire i.e. he goes out. He only takes this option.

SHRI K. A. RAJAN: Sir, he has raised a very relevant point.

SHRI SATISH AGARWAL: The Committee will have to consider. If a person is transferred from South to North-east naturally, it will create problems for him. We shall have to examine this point.

MR. CHAIRMAN: We shall consider that.

SHRI J. R. JOSHI: My suggestion is that the LIC agency should not be a bar for the employees. In the National Savings and Unit Trust, one can become an agent. Why not the same be applied in the case of employees of LIC?

SHRI BRAJA MOHAN MOHANTY: By and large the people refuse to remain in a particular place.

SHRI J. R. JOSHI: As regards place of choice, the LIC employees have already given the name of their native place. They may be in the zone where their native place is situated.

SHRI BRAJA MOHAN MOHANTY: Is that he consideration in service of the IAS? They are posted in different places.

SHRI J. R. JOSHI: In the case of IAS officers, when they join their service, they are given the option as to which State they want. If he gives the choice of Orissa, he will be posted there. But, after four years, he will not be transferred to Punjab.

MR. CHAIRMAN: This point would be considered by the Committee.

SHRI J. R. JOSHI: I now move on to the next point. Not giving LIC agency to the LIC employees and giving Unit Trust agency to the

postal employees, is discriminatory. There should not be any discrimination.

SHRI L. K. ADVANI: It is a very valid point and we will consider it.

SHRI JOSHI: There is a proposal for a Service Matters Tribunal. There is no Service Matters Tribunal proposed for the bank employees or public sector employees. When management and the employees have difference of opinion, if it should be looked into by a third tribunal and should it happen only in LIC? If you want to have tribunals, have these tribunals for all public sector employees.

SHRI BAPUSAHEB PARULEKAR: In clause 24(4) as far as the policyholders are concerned, a concurrent jurisdiction has been given. Such a provision has not been there with regard to the employees. If such a provision is made with regard to them also, then will you have any objection?

SHRI JOSHI: It satisfies me only partly because other public sector employees will not have that tribunal. So, still it is discriminatory.

MR. CHAIRMAN: How will you explain establishment of Service Matters Tribunal to be discriminatory? Would you refer to Article 223A which provides for the establishment of Service Matters Tribunal?

SHRI BAPUSAHEB PARULEKAR: As far as the claims tribunal is concerned, there is an appellate tribunal. Do you not think that that appellate tribunal should be given to the employees also?

SHRI JOSHI: Insurance claim is a unique thing for life insurance industry alone. That is why, did not give any reference to it. But I agree with you on that provided, of course, much time is not taken there.

Supposing, this split is going to gain somebody throughout the country, let that person come and say that it is going to gain me. Nowhere you will

find that this step is being praised, especially economic weeklies and such thinkers on social and economic matters.

MR. CHAIRMAN: We have received memoranda from the policy holders in support of the Bill.

SHRI J. R. JOSHI: The Era Sezhayan Committee has said that the Government should take a policy decision that the LIC should be splitted into five corporations eventually but today, the zonal bodies should be given more powers. They have also suggested that all the policy servicing agents work should be decentralised to District Branch Offices. Today it is all centralised. They should be given adequate support for branch offices. When the first stage is already taken care of, then you can decentralisation of machines to split the LIC into 5 zones. The zonal offices also could have been working independently. The second thing is, supposing you want to divide the LIC, obviously that is not the only object of the Bill because the Bill provides that a Corporation in South will also be allowed, with Government's permission, to open an office in the North or East. That means, you do not want region-wise corporations only, but you want corporations to have branches throughout India and compete with one another. Then if you have competing corporations, do you have to go through all the process of dividing the LIC into different organisations? You can do it in a different way. An idea has developed that all financial services are required to be attended to by one body viz. say the Bank. Supposing I am a citizen of a certain place. I am earning money, after earning money I cannot spend all the money thinking what will happen to me when I am old etc. So, I want to save money. And when I want to save money, sometimes I would like to invest it in a better way. In England also you will find that most of the banks have many subsidiaries for insurance, investment trust etc. and all the money work will go through one

office and all my money requirements are taken care of by that banks group whether I want to invest my money or whether I want to insure myself or whether I want to borrow from that bank. If you want to have more corporations competing with each other, then these banks like the State Bank of India who have got 3000 or 4000 branch offices can also do this work through subsidiaries. The LIC has got 800 branches only. Supposing you start the subsidiaries without disturbance to the present organisation, you will find three more competitions. The State Bank of India has got 6000 branches and they have got say 2000 or 3000 branches in the rural areas. Then they can have competition with the LIC also. Then the objective will be achieved. As Mr. C. D. Deshmukh said, the money is not used properly for the benefit of policy-holders, there is a sense of insecurity in the minds of policy-holders. But I am suggesting that in the State-owned banks like the State Bank of India money is as safe as LIC money because it is owned by the Government. Why I am more keen about banks doing this business is that the banks have offices even in the interior where LIC does not have an office. They have got offices at 2000 centres whereas LIC has got 600 centres only. Therefore, I gave my thought as to what can be done in this Bill itself. By making small changes the same Bill can provide for banks to start their subsidiary insurance offices.

SHRI SATISH AGARWAL: Is it being done in foreign countries where banks do insurance business also?

SHRI J. R. JOSHI: Yes.

SHRI SATISH AGARWAL: This is something novel and the Government must take this into consideration.

SHRI LAL K. ADVANI: It is a very attractive idea. But I do not think that this can be incorporated in this Bill itself because so far as the Statement of Objects and Reasons is concerned, that is totally different from what is being suggested now. Mr.

Joshi's own note is very brief and he has referred to the experience of America, U. K. and some other countries. I wonder if you are in a position to prepare a more exhaustive note on this one single suggestion that you have given.

SHRI J. R. JOSHI: I can do it.

SHRI JANARDHANA POOJARY: We can take into consideration all these aspects.

SHRI BRAJA MOHAN MOHANTY: That is not within the scope of this Bill.

MR. CHAIRMAN: Anyhow he has given his idea.

SHRI SATISH AGARWAL: It is true that it is not strictly within the scope of the Bill, but we should not be averse to any new idea. So, I humbly plead with you that let us ask Mr. Joshi to submit a note with regard to this idea and let the Government consider it.

SHRI JANARDHANA POOJARY: So far as the banking system in India is concerned, it is quite different from the banking system in other countries. For example, there are DRI schemes etc. which are nowhere found in other countries. But Mr. Joshi can submit a note about his idea.

SHRI L. K. ADVANI: The nature of Indian banking system that we have fully meets this point of view.

SHRI JANARDHANA POOJARY: The question is whether the banks can cope up with this insurance business. I do not have any objection otherwise.

SHRI LAL K. ADVANI: After all he is trying to meet the objectives of the Bill saying that let the LIC remain as it is and let the other institutions compete with the LIC.

SHRI SATISH AGARWAL: In this connection I had a talk with the man concerned in Gujarat and Mr. Sanat Mehta covered all the IRDP people within this gamut. So,

I think that the IRDP beneficiaries and other groups of people are covered in Gujarat. So this can be done by the banks also.

SHRI NURUL ISLAM: We want a note from him on this new idea.

SHRI RAMESHWAR THAKUR: We must make a basic distinction on one point, viz. whether the banks' branches can serve the objectives of this Bill more effectively. You have also talked about the Companies' Act, other Acts and the GIC. All the subsequent suggestions are based on your presumptions. I basically disagree.

Firstly as the Minister has pointed out, banking conditions here are completely different from their working in other countries. There, the functions are urban-based. But in our country, we have the priority sector, and we function in rural areas. There is a lot of pressure on banks. The banks cannot have 22 subsidiaries, and cannot have competition interstate. Will it be practicable? If we can have some kind of an arrangement with banks whereby they could help in the formulation of the policy, it could be considered, of course.

SHRI J. R. JOSHI: British and other banks do various jobs. Life insurance is one thing which can go into the interior, rural areas through banks. Leasing is also allowed now. In rural areas, except life insurance I don't think anything can be done by a bank's subsidiary.

SHRI RAMESHWAR THAKUR: You suggest that LIC should be left as it is and then these banks should be allowed to have subsidiaries. Do you think that in the place of the present LIC, there should be five corporations, and banks also should be asked to help in programmes and policies?

SHRI J. R. JOSHI: I will give the reasons. Actuarial problems will be presented to you by their counsel.

A lot of problems are being brushed aside. Real competition to LIC can come from a big bank like the State Bank. They have got resources also. Rs. 5 crores is the capital of LIC. The State Bank can do it, with Rs. 1 crore. But Rs. 1 crore or Rs. 5 crores this is a separate subject. But I think it will be useful for our country to do this.

There is no provision in the Bill to ensure that these five corporations will work on sound financial basis, since it is not said that the Government of India will have any Actuaries' Department through which control will be exercised on actuarial matters. We have been ignoring this all along, because we thought there was only one LIC. But when there is competition among different corporations, there should be one actuarial body, because people then succumb to pressures. These are evils of competition. Who will check these pressures?

Clause 20 (1) of the Bill does not say that this Board will have any Actuarial Department or that there will be any Government Actuary who will do it. Formerly, the Insurance Act provided that there shall be an Actuary.

To-day, in our country we do not have anybody which is giving health insurance. Mortality is going down. Most of the people retire. But the real problem is sickness, viz. hospital expenses. A man employed in multinational companies or Government offices gets health benefits. But in the general schemes of our insurance, LIC and GIC do not take care of sickness or health insurance. There should be a provision for this.

SHRI BRAJAMOHAN MOHANTY: Why do you pre-suppose that there will be competition among corporations, because each new corporation can function in others' areas only with the permission of the Government of India?

SHRI J. R. JOSHI: Introduction of an element of competition is there in the speech in Parliament of the then Minister for Finance Mr. Venkataraman.

SHRI BAPUSAHEB PARULEKAR: Clause 8 talks about disqualifications—barring some people from becoming members of the Board. But it does not talk about qualification necessary for people to become members of the Board. Do you want to make any suggestions as to who should be on the Board?

SHRI J. R. JOSHI: I have not written about it earlier. The term of the Chairman will be for three years. That is what is mentioned. By putting it as a condition the LIC employees are debarred from becoming a Chairman of the LIC. By the time when an employee becomes the Managing Director, he would have already reached the age of 57 or 58 and so he will not be there as Chairman for three years. Perhaps, an IAS man may be brought in. I have thought about it. I feel that the term of the LIC Chairman as contemplated here—three years—may be misused for this purpose.

SHRI BAPUSAHEB PARULEKAR: Do you consider this as an imperative step?

SHRI J. R. JOSHI: If this is inevitable, then, I think the recommendation made by Shri Era Sezhiyan Committee should be followed. We should not be in a hurry about it.

SHRI LAL K. ADVANI: They suggested that it would be a competitive one.

SHRI J. R. JOSHI: I am glad that he had mentioned that.

MR. CHAIRMAN: That is all. If you want to send any other comment, you may please send that on to us with a note.

SHRI J. R. JOSHI: Oh, Yes Sir. Can it be addressed in the name of the Chairman?

MR. CHAIRMAN: You may send it to the Committee. Thank you.

(The witnesses then withdrew)

IV. General Insurance Employees of India Association, Bombay.

Spokesmen:

1. Shri K. S. B. Pillai, General Secretary.
2. Shri P. P. Ravindranathan
3. Shri J. G. Kothare
4. Shri M. S. Upadhyay
5. Shri V. R. Deshpande
6. Shri J.S. Samant.

(The witness was called in and they took their seats)

MR. CHAIRMAN: Please introduce yourselves to the Committee.

(Shri K. S. B. Pillai then introduced himself and his colleagues to the Committee).

Before you start, I may point it out to you that, in accordance with the provisions contained in Direction No. 58 of the Directions of the Speaker, your evidence shall be treated as public and is liable to be published unless you specifically desire that all or any part of your evidence to be treated as confidential. Such evidence is liable to be made available to Members of Parliament. Have you signed this?

SHRI K. S. B. PILLAI: Yes, Sir.

MR. CHAIRMAN: Would you like to make any observation?

SHRI K. S. B. PILLAI: We have already given a memorandum.

MR. CHAIRMAN: Please confine yourself to the points and be brief.

SHRI K. S. B. PILLAI: We are here to oppose the Bill. We are totally opposed to all clauses of the Bill. We do not agree with any one of them.

We belong to a public sector—General Insurance industry. We fight and are still fighting the breaking up of this single monolithic corporation. Knowing full well what the insurance industry is, we cannot, for a moment, even think that it is not doing well. Why should we think of breaking this up into five zones?

MR. CHAIRMAN: Is it your opinion or the opinion of the policyholders?

SHRI K. S. B. PILLAI: I think the policyholders will also give the same opinion. No policy holders is interested in the split up. As an individual he has no other interest whether it is this or that corporation but he is interested in getting all the benefits by taking out a policy. We know that before nationalisation in 1956 what was the condition of the LIC. There was not a single policyholder who received a single farthing excepting from the Oriental Government Security Life Insurance Ltd. No policyholders failed to receive dividends from the foreign companies. A few of the foreign companies gave dividends. They gave dividends to the policyholders and this was the condition prior to 1956. After 1956, after the monolithic corporation's formation hopes were raised in the minds of the people that the business would increase more from that day onwards than what it is to-day. If you are going to reverse that process, kindly consider that there is also an objection. Because somebody is interested to denationalise the industry, that is why, it is going to be split up into zones. In the private sector, the services of employees who joined at the 18 years of age in 1956, after having one year's service, were terminated but they were re-appointed the very next day. That used to be the position prior to nationalisation. Today we have settled. The industry is flourishing. Pandit Jawaharlal Nehru was one of the protagonists of a single

monolithic company and that hope is being shattered.

MR. CHAIRMAN: You have stated that the Bill will reduce the employees to the bonded labour. How will you explain that point?

SHRI K. S. B. PILLAI: Here this provision of law is going to take away the right of the employees for collective bargaining. They are going to be bonded labour.

MR. CHAIRMAN: You have stated that the competition among the new corporations would make room for corruption and wasteful expenditure. Can you elaborate this point?

SHRI P. P. RAVINDRANATHAN: In the recent report of the C&AG, para 13, it talked about unhealthy competition among the general insurance companies.

SHRI K. K. MURTHY: Even without splitting the Corporation, are you realising the objectives?

SHRI K. S. B. PILLAI: Today the power is vested in different hands. That can be decentralised to zonal and divisional levels. We can, by the present set up of the industry itself, service the policy holders much better. It is not necessary to go into this wasteful exercise and make too heavy expenditure on the industry. The industry is going to have five board of directors. In GIC we have got five board of directors. There the corruption is rampant. So will happen here also.

SHRI NURUL ISLAM: Do you agree that in view of the Railway Administration being splitted into five or six zones it has neither deprived the employees of collective bargaining nor made them bonded labour?

SHRI K. S. B. PILLAI: Railways have got another machinery. But you have not provided that machinery here.

SHRI K. K. MURTHY: Do you agree that there is a need for general improvement?

SHRI K. S. B. PILLAI: There is a need for general improvement in the society itself.

MR. CHAIRMAN: Thank you very much.

(The witnesses then withdrew)

V. National Organisation of Insurance Workers, Bombay

Spokesmen:

1. Shri B. S. Dogra, General Secretary, National Organisation of Insurance Workers.

2. Shri S. D. Kulkarni, Vice-President, National Organisation of Insurance Workers.

3. Shri M. S. Moghe.

The witnesses were called in and they took their seats

MR. CHAIRMAN: Before you start, I may point out that in accordance with the provisions contained in Direction 58 of the Directions by the Speaker, your evidence shall be treated as public, and is liable to be published, unless you specifically desire that all or any part of the evidence given by you should be treated as confidential. Even though you might desire your evidence to be treated as confidential, such evidence is liable to be made available to the Members of Parliament.

MR. CHAIRMAN: Have you signed the oath or affirmation?

SHRI B. S. DOGRA: Yes.

MR. CHAIRMAN: Do you agree with the principles of the Bill?

SHRI B. S. DOGRA: We do not agree.

MR. CHAIRMAN: Do you agree with any clause of the Bill?

SHRI B. S. DOGRA: No. We would like to submit as to why we are disagreeing.

MR. CHAIRMAN: If you want to say anything more than what is contained in your Memorandum, you can say it now.

SHRI BAPUSAHEB PARULEKAR: On Page 34 you have mentioned all the grounds as to why you oppose. But do you agree that this is an improvement in LIC?

SHRI B. S. DOGRA: Why not? The question of improvement is there. But the question is whether the LIC should be split or not. Our whole thrust has been detailed in the Memorandum. The objectives which the hon. Minister has put forth in Parliament are laudable say, spreading insurance much more widely, increasing insurance services to the community etc. Then operational efficiency is one point which has been specifically mentioned as the object and reason as to why the Minister wants this. We do not know, and at least this is not in the knowledge of any one connected with the Life Insurance Corporation, what are the objective indicators given by the Government of India at any time to the Corporation, how best we can have the operational efficiency except what is provided under the Insurance Act, 1938. We have given a detailed chart in which we have submitted that all along, right from the inception of the Corporation in the year 1946, the LIC employees have fully cooperated with the management and today the position is that the renewal expense ratio is less than 10 per cent. There is, on the other hand yet another test whereby we can get to know what really the Life Insurance Corporation has contributed to the Indian community as a whole.

MR. CHAIRMAN: This has been said by the hon. Minister in his Statement of Objects and Reasons. So, do you agree with the Statement of Objects and Reasons?

SHRI B. S. DOGRA: No. I am coming to that.

MR. CHAIRMAN: This is the Statement of Objects and Reasons. Do you agree with them or not?

SHRI B. S. DOGRA: There is no difficulty in agreeing with them.

MR. CHAIRMAN: Do you agree with paragraph 2?

SHRI B. S. DOGRA: Yes.

MR. CHAIRMAN: Do you agree with paragraph 3?

SHRI B. S. DOGRA: Yes.

MR. CHAIRMAN: About all facts and figures which you have given, the Era Sezhiyan Committee had given details in their Report. You have covered those very points and your Memorandum is very good and we must appreciate how much labour you have put in.

In the end you say that this should be scrapped. Why?

SHRI B. S. DOGRA: I will come to the specific clauses, clause 14 (4) and clause 65(2) (d).

SHRI NURUL ISLAM: Now you say whether you require the amendments.

SHRI B. S. DOGRA: My submission is that the service conditions of the employees are 'as may be prescribed'. Who is to prescribe? It is the Central Government which consists of Secretary, Additional Secretary and Joint Secretary of Finance for the purpose of determining the service conditions.

MR. CHAIRMAN: Whenever the rules and regulations are framed, they are framed by the Parliament.

SHRI B. S. DOGRA: But they are applied before placing them on the Table of Parliament. These are discriminatory in this sense—why LIC employees alone are discriminated against? When all the public sector employees are having the opportunity of negotiating, why only these service conditions are prescribed for LIC employees? Mr. Venkataraman, the then Finance Minister, said on the floor of the House in 1961 that 'we are only trying to bring

'LIC employees on par with comparable institutions.' To-day, unfortunately we are not yet at par. We do not want this discrimination to be perpetuated.

MR. CHAIRMAN: Do you agree with clause 68 of the Bill?

SHRI B. S. DOGRA: This is only regarding overriding powers. LIC employees are like any other employees. The Industrial Disputes Act takes care of them. Why should they be taken away from its purview?

MR. CHAIRMAN. On this, you had moved the Supreme Court, and got the judgement.

SHRI B. S. DOGRA: The Supreme Court has at no stage said that the Industrial Disputes Act need not be made applicable; it only recognized the supremacy of Parliament—which we also recognize. But we say we are being discriminated against. In this Bill, you are introducing the Service Matters Tribunal. The Industrial Tribunal has Powers—once a reference is made by Government, it can give new service conditions; but here, the Service Matters Tribunal can only interpret the conditions prescribed by Government. We do not want this tribunal. Why should this tribunal be there only for LIC? Secondly, the scope of this tribunal is limited; it cannot give us new service conditions. To-day, we have discussions with Government, but they are pre-determined by the Ministry of Finance, no doubt. But now that opportunity will also be missed.

Let us compare our position with Government employees who are not entitled to collective bargaining. But there also, the Government or any Secretary or Additional Secretary of a department does not fix the service conditions. A Pay Commission or Service Commission is appointed which gives an opportunity to the Government employees

to place their views before it. But this will be denied to LIC employees in future.

To our knowledge, the employees of the public sector undertakings are having the benefit of the Industrial Disputes Act. Please refer to clause 64—employees will be debarred from exercising their political rights. We feel that this is an infringement of civil liberties. If educated people are going to be denied this right, this is wrong.

Clause 42 provides for a separate valuation to be made by different corporations. It is not a question merely of presenting the balance-sheet or income-and-expenditure statement. On the basis of valuations made once in two years in all insurance companies, the bonus for the policy-holders is determined. The surplus generated, to the extent of 5 per cent, is to be given to the Exchequer. If there are different corporations, we are afraid that to start with different rates of bonus will be given to policy-holders by different corporations. Secondly, even premium rates may change. To-day, we have uniform bonus rates and uniform premium rates for all policy-holders. So, this is a very objectionable clause. We do not want any going back on what was given to policy-holders after 1956.

MR. CHAIRMAN: If we give uniform bonus to all policy-holders, will you agree to the Bill?

SHRI B. S. DOGRA: We have other objections also.

Now about clause 45. About profits from any other business other than life insurance. Profits are to be taken into account, after making some reserves, and they are to be given to the Government exchequer. We do not want this, because it is public money. 50 per cent of the surplus goes to the policy-holders.

Even profits of non-insurance business should be apportioned in the same way as is done in the case of life insurance business. It should be re-structured, as is done in the case of clause 44.

Now about clause 34. The orders of the Service Matters Tribunal are final. This means taking away the jurisdiction of the civil courts. We can go to the court, and ask for writs. but it is not enough.

I have gone through Clause 34(3) also. I do not agree with it

MR. CHAIRMAN: You can move the court. Please see Clause 34(3). It clearly says:

"Every order passed under this section by a Service Matters Tribunal shall be final and shall not be called in question in any court except by way of a petition under article 136, or article 226, of the Constitution."

SHRI B. S. DOGRA: We want the jurisdiction of the civil court to remain.

MR. CHAIRMAN: We have heard the witnesses on this very important point. Have you anything more to add?

SHRI B. S. DOGRA: The purpose of the Bill, as we have been able to understand it, is that there should be an intensive development of LIC business in rural areas. There are certain disqualifications mentioned under clause 63(1)—

No person who is, on or after the appointed day,—

(a) an employee of the Government; or

(b) a holder of the office of Chairman or Director or of any other office in, or an employee of, a statutory corporation or Government company.'

They are all barred from becoming insurance agents.

Our submission is that this is a discriminatory clause. If we want that in the rural areas, insurance business should develop, we have to make a mention that for those who are influential people or who are educated people, available in the rural areas or even the employees, extra-departmental employees of the Postal Department, will be given the agencies so that the rural insurance business goes up. There are extra departmental postal employees, gram sevaks etc. These are the people who are influential. If they are debarred from doing life insurance business, I am afraid, the business will not be expanded. The existing agencies will not also be enough. Those people should be given the opportunities.

SHRI JANARDHANA POOJARY: I want to put a question. Do you agree that if more branches are opened in rural areas, there will be more and more opportunities to the people for employment there?

SHRI B. S. DOGRA: The statement requires to be interpreted like this. Regarding the expansion of the branches of the banks, I would say—it is on record—that only after nationalisation of the banks, expansion of the bank branches took place in the rural areas. I would also say that the bank managements were given encouragement by the Finance Ministry that they should enter into rural areas. I would say that at no stage, the Finance Ministry allowed that much opportunity to the Life Insurance management to expand in the rural areas. They always kept in mind the economic viability of the branch office for the banks. For the first four years it was not done. The LIC surely had not been strengthened. Otherwise the branches would not have been 958 but these could have gone up to 2,800. We could have got more of rural insurance business.

SHRI JANARDHANA POOJARY: Do you think that there is need for

the business to spread into the rural areas?

SHRI B. S. DOGRA: There is need for expansion of the Life Insurance business in the rural areas.

SHRI JANARDHANA POOJARY: Do you think that a man should be appointed as a commission agent?

SHRI B. S. DOGRA: I say that he should be given rapid promotion on the basis of his performance.

SHRI JANARDHANA POOJARY: Suppose the employee's wife happens to work in a municipality and is holding the position of an agent. Then only the husband of that employee might pressurise the people to purchase the policy.

SHRI B. S. DOGRA: To my mind, in all such situations, whenever a difficulty arises we try to sort that out at our level.

MR. CHAIRMAN: Shri Thakur wants to put some questions.

SHRI RAMESHWAR THAKUR: There are two clauses—7 and 10. I would like to draw your attention to these. You say there is no formula laid down about the distribution of assets and liabilities.

SHRI B. S. DOGRA: There are two things—one is this. At that time the Life Insurance business was in the private sector. In 1956 we had to nationalise it. There were 255 companies at that time and these had been brought under one roof. Today, our submission is that since the industries are already under the nationalised business, it is not necessary to go in for diversification. The turmoil will be less when it is already nationalised.

SHRI RAMESHWAR THAKUR: I must admit that you have said very nicely. In the last two years decentralisation of business is already going on. Whatever you have pleaded in your memorandum are all facts.

SHRI B. S. DOGRA: I say that it is not necessary that it should done.

SHRI JANARDHANA POOJARY: Are you for decentralisation?

SHRI B. S. DOGRA: Yes.

SHRI L. K. ADVANI: In the present set up itself, there is a programme for functional decentralisation. Is it true?

SHRI B. S. DOGRA: This process has started during the last two years. At many places the decision to decentralise the functions is there. But actually the transfer of records has not taken place.

Once the decentralisation process takes place, it will serve the policyholders much better. Right now some difficulties and some snags are there.

SHRI L. K. ADVANI: Are you aware, as the Minister has just now pointed out, of some instances where by giving insurance agency to the employees corruption will grow?

SHRI B. S. DOGRA: Prior to emergency LIC employees were allowed to have insurance agencies. Only during emergency that right has been taken away. There might have been cases where misuse of power might have been there. But ultimately it helped in the growth of the business.

Clause 11(2) relates to the corporation having territorial jurisdiction, but with the approval of the Government they can set up their branches in other zones also. So, the element of competition is being provided by backdoor. The format of the Bill provides that there will be five corporations in different zones, and that will go to the rural areas.

SHRI L. K. ADVANI: An idea has been mooted here that while LIC may be continued as such, nationalised banks may be allowed to do the work of insurance in rural areas. What is your opinion about that?

SHRI B. S. DOGRA: If banks continue to do banking and life insurance,

is allowed to do life insurance, that will be better.

MR. CHAIRMAN: Thank you very much.

(The witnesses then withdrew)

VI All India SC/ST and Neo Buddhists LIC Employees Welfare Association, Bombay:

Spokesmen:

1. Shri V. K. Pagare, President
2. Shri J. R. Jayant, General Secretary
3. Shri S. N. Thakur, Executive Committee Member
4. Shri K. K. Turkane, Office Secretary
5. Shri N. P. Meshram, Auditor

(The witnesses were called in and they took their seats)

MR. CHAIRMAN: Before you start, I may point out that in accordance with the provisions contained in Direction 58 of the Directions by the Speaker, your evidence shall be treated as public, and is liable to be published, unless you specifically desire that all or any part of the evidence given by you should be treated as confidential. Even though you might desire your evidence to be treated as confidential, such evidence is liable to be made available to the Members of Parliament.

We have read your memorandum. You want that in every corporation and in every board your representative should be there.

SHRI JAYANT: Yes.

MR. CHAIRMAN: Do you want to say something?

SHRI JAYANT: We have submitted that proper representation to the Scheduled Castes and Scheduled Tribes should be given.

MR. CHAIRMAN: What do you mean by 'proper'?

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SHRI JAYANT: 'Proper' means as per the Constitutional provisions. Whatever provision has been made in the Constitution of India regarding the safeguards, we want them. All those Constitutional safeguards should be there for SC and ST people.

MR. CHAIRMAN: Do you want to say anything?

SHRI JAYANT: We can submit before this Committee that till this time the interests of the SC and ST are not taken care of.

MR. CHAIRMAN: At least do you agree with the principle and objects of the Bill totally?

SHRI JAYANT: Yes with certain modifications. We support this Bill. It is also in the interest of the nation.

SHRI RAM PYARE PANIKA: What is your specific suggestion? Would you think that it is better if the Corporation is split so that local SC/ST people can get employment in the respective zones?

SHRI JAYANT: If certain provisions are made like this, it will benefit the Scheduled Castes and Scheduled Tribes. Definitely there may be more representation of Scheduled Castes and Scheduled Tribes in the services.

MR. CHAIRMAN: In para 16 of your Memorandum it has been suggested that there should be 5 per cent of the Life fund that should be invested in the schemes for the welfare and uplift of Scheduled Castes and Scheduled Tribes. Are you aware that the funds of the LIC should be invested in accordance with the guidelines issued according to the provisions of the Life Insurance Corporation Act? These guidelines cover social upliftment schemes also. Do you reconcile your suggestion with the general policy of the Government in the matter?

SHRI S. N. THAKUR: In this regard I would submit that for the purpose of development of the country the Government is spending different amounts on different sections for uplifting the down-trodden people for education, for building their houses,

for giving them agricultural aid and so on and so forth. If they are protected under this type of Insurance Bill, the amount is specifically spent for this uplift. We of the down trodden community will be benefited at least directly. Indirectly it does not reach the persons concerned. Indirectly if anything is done like the loans given to the people; they are not reaching the people concerned. But if the benefits are given directly, it will be beneficial to them. It may be 25 per cent or so, but it should be a specific amount.

MR. CHAIRMAN: Suppose you submit a note to the State Government and the State Government gives some money. So, can't the State Government look after this? If you want to achieve something, can you not achieve it through the State Government?

SHRI JAYANT: If the Central Government directs the State Governments with specific instructions, then only the purpose will be achieved. The Scheduled Castes and Scheduled Tribes people must have their share. In this connection it is very much necessary that if you want to do something for the welfare of the Scheduled Castes and Scheduled Tribes communities and the down trodden people, proportionate amounts will be spent for that purpose.

SHRI RAMESHWAR THAKUR: If the LIC money is also allocated to Scheduled Castes and Scheduled Tribes, will that help them?

SHRI JAYANT: Yes, certainly it will help them.

MR. CHAIRMAN: You have said one thing in your Memorandum that a Tribunal should be set up for Scheduled Castes employees separately. How? Can it be set up for Scheduled Castes only?

SHRI JAYANT: While making such a submission before the Committee our intention is that the grievances and problems of the SC/ST people are not looked into in a pro-

per perspective and always they are ignored. So, in respect of each such thing, just to give proper justice to SC/ST people, it is very much necessary that they should be separated for this purpose, not along with other people.

In service matters we have submitted that because we are representing our demands to other non-SC/ST people, they are not properly looking after our interests because they are least interested.

SHRI K. A. RAJAN: That is in the matter of service conditions including in it strike and all that.

SHRI S. N. THAKUR: Regarding what our friend said, I would like to say that whatever is stated regarding tribunals, we are already having one cell for the SC/ST people and the persons who are looking after it, from Assistant to the high officer, are from the higher castes. Some of the high caste people have got their own grudges against us.

MR. CHAIRMAN: If your Association brings these matters to the Committee on Scheduled Castes and Scheduled Tribes who looks after the interests of the Scheduled Castes and Scheduled Tribes, it will serve your purpose.

SHRI BAPUSAHEB PARULE, KAR: Do you want to suggest that the Presiding Officer of the Tribunal should be from SC/ST or a separate Tribunal for SC/ST should be there?

SHRI JAYANT: We want a separate Tribunal for SC/ST to be set up.

SHRI RAM PYARE PANIKA: I think you mean that there should be some steering committee to look after the interests of the Scheduled Castes and Scheduled Tribes people.

SHRI S. N. THAKUR: Yes.

MR. CHAIRMAN: Suppose all these corporations place their annual reports on the Table of the House. We can examine them and find out the per-

tage of employees given promotion. We can then raise objections, if necessary. If this Bill provides that every annual report should be placed on the Table of the House, will you be satisfied?

SHRI JANARDHANA POOJARY: You say that there should be a separate Service Matters Tribunal for SCs and STs. If this is done, don't you think that the Supreme Court will be brought into the picture? Do you say that there should be representation for SCs and STs in the Service Matters Tribunal?

SHRI NAGARE: Yes, Sir.

SHRI RAM PYARE PANIKA: Government will consider it. Anyway, what is the percentage of staff belonging to SCs and STs in LIC at different levels?

SHRI JAYANT: We have given that information in the annexure to our memorandum. In Class I posts it is 1.07 per cent 2.49 per cent in Class II, 7.43 per cent in Class III and probably it must be 22.5 in Class IV; instead, it is 17.15 per cent. We are being treated as second class persons by management. So, we request you

to ensure that due representation to SCs and STs is given. There must be some provision in this very Bill to say that the prescribed percentage of SCs and STs must be employed. This is most important, and should be given priority.

SHRI NAGARE: Instead of asking how many people belonging to SCs and STs are there in Class IV posts, if it is asked as to how many high class people are there in such posts, it will be helpful to the down-trodden people.

MR. CHAIRMAN: We assure you that this will be gone into.

SHRI JAYANT: We would also say that LIC is not being managed properly. There is a report in 'Biltz' about the manipulation of Rs. 4.50 crores of LICs funds. This is a very serious matter. Such lapses should not occur. There must be a proper check. Poor people are suffering because of mismanagement of things by LIC.

MR. CHAIRMAN: Thank you very much. We now adjourn.

(The witnesses then withdrew.)

(The Committee then adjourned)

RECORD OF EVIDENCE TENDERED BEFORE THE JOINT COMMITTEE ON THE LIFE
INSURANCE CORPORATIONS BILL, 1983

Saturday, 19 May, 1984 from 1000 to 1325 hours in Room No. 2001, Vidhan Bhavan,
Bombay.

PRESENT

Shri Mool Chand Daga—*Chairman*

MEMBERS

Lok Sabha

2. Shri Satish Agarwal
3. Shri Ghayoor Ali Khan
4. Shri Braja Mohan Mohanty
5. Shri Kusuma Krishna Murthy
6. Shri Ram Pyare Panika
7. Shri Bapusaheb Parulekar
8. Shri Janardhana Poojary
9. Shri Ram Lal Rahi
10. Shri K. A. Rajan
11. Shri M. S. K. Sathiyendran
12. Shri Natvarsingh Solanki

Rajya Sabha

13. Shri Lal K. Advani
14. Shri Vithalrao Madhavrao Jadhav
15. Shri Rameshwar Thakur.

SECRETARIAT

Shri R. S. Mani—*Senior Legislative Committee Officer.*

REPRESENTATIVES OF THE MINISTRY OF FINANCE (DEPT. OF ECONOMIC AFFAIRS)
(INSURANCE DIVISION)

1. Shri H. M. S. Bhatnagar—*Additional Secretary.*
2. Shri R. K. Mahajan—*Controller of Insurance.*
3. Shri S. G. Subrahmanyam—*Executive Director (Investment).*
4. Shri S. K. Purkayastha—*Director (Insurance)*
5. Shri S. D. Raheja—*Under Secretary.*
6. Shri A. S. Gupta—*Current-in-Charge and Managing Director.*

WITNESSES EXAMINED

- I. Shri Mohan Dharis
Vijayanagar, Poona.

II. Actuarial Society of India, Bombay

Spokesmen:

1. Shri V. H. Vora.
2. Shri R. M. Mehta
3. Shri R. K. Daruwalla.

III. All India Confederation of Bank Officers' Organisations, Pandyan House,
Frere Road, Bombay.

Spokesmen:

1. Shri L. V. Subramanian
2. Shri Visu Viswanath.

IV. Retired Insurance Officers Association, Bombay.

1. Shri S. N. Vaidya
2. Shri T. P. Panthkey
3. Shri C. D. Jhamb.

V. Bombay Chamber of Commerce and Industry.

Spokesmen:

1. Shri P. J. M. Panikar
2. Shri B. P. Gunaji
3. Shri Uday Khanna
4. Shri C. M. Manian
5. Shri C. S. Shah
6. Shri S. M. Billimoria
7. Shri K. D. Patel
8. Shri N. H. Thonawalla.

VI. All India Life Insurance Employees Association, Bombay.

Spokesmen:

1. Shri R. A. Menezes
2. Shri R. D. D'Souza
3. Shri G. R. Kurtarkar.

VII. Life Insurance Employees' Congress (WZ), Rajkot.

Spokesmen:

1. Shri Madhusudan Sawant,
General Secretary.
2. Shri M. G. Gohil,
Joint Secretary.

I. Shri Mohan Dharia, Ex-M.P., VI-
jaynagar, Poona.

(The witness was called in and he
took his seat.)

MR. CHAIRMAN: Thank you, Mr. Mohan Dharia, for coming here to give evidence on this subject. I may read out to you the Speaker's Direction.

SHRI MOHAN DHARIA: I am aware of it.

MR. CHAIRMAN: Anyway let me read it out. Before you start, I may point out to you that in accordance with the provisions contained in direction 58 of the Directions of the Speaker, your evidence shall be treated as public and is liable to be published unless you specifically desire that all or any part of the evidence given by you should be treated as confidential. Even though you might desire your evidence to be treated as confidential, your evidence is liable to be made available to Members of Parliament.

Now, I am putting a few questions, Question No. 1. The message of both the nationalisation Act of 1956 and the present Bill, as contained in the statement of objectives, is to take the life insurance to the rural and semi-urban areas to provide the facility at the doorstep. In view of the fact that over 28 years of its existence the proportion of LIC's rural business is only 30 per cent, would it not lead to the objective of nationalisation has not been achieved?

SHRI MOHAN DHARIA: I would say that it has not reached, as you rightly said, the doorstep in the rural areas and, to that extent, the objective of nationalisation of LIC has not been achieved.

MR. CHAIRMAN: During the last decade after nationalisation of banks, the number of branches of nationalised banks in the rural and underdeveloped areas has increased from 1832 in June 1960 to 20,394 by the end of June 1962. Nearly 60 per cent of the

incremental branch expansion during this period has been at the rural centres. By the end of 1984-85, it is further envisaged that the banking coverage in the rural and semi-urban areas should be one bank on an average for a population of 17,000 (based on 1981 census). Do you think that with only 30 per cent of the rural business achieved over the last 20 years, LIC's efforts compare favourably with the effort made in the banking sector for generation of new businesses on the one hand, and build-up of an adequate organisation to cater to the needs of the so far neglected areas/sections of people?

SHRI MOHAN DHARIA: Actually whatever has been stated is correct. I might also say that it is the positive direction which should have been given by the Government to LIC. It was not given in that respect as we have done in the banking sector. The fault does not lie with the integrated LIC but lies somewhere else. For policymaking, integration and centralisation of the LIC are very much necessary. But, for the functional operations, decentralisation is not necessary under the circumstances. LIC is one organisation and it is not a problem. If you compare for instance, the rural banking for instance, the State Bank of India has rendered the best possible performance in the country though it is having the largest number of branches. In the present situation, for example, in my area, the performance of the SBI has been the best even compared to the lead banks. In my area leading Bank is the Bank of Maharashtra. Under the circumstances, we shall have to go deep into all the causes and reasons by critically analysing all the facts, before taking any decision.

MR. CHAIRMAN: You are no doubt aware that after nationalisation of General Insurance business, with the creation of 4 Subsidiaries competition is provided in the General Insurance Industry. No such competition exists in the Life Insurance business. As a result, numerous complaints are received from the policyholders both

in regard to servicing and settlement of claims. In the light of this can the reorganisation of Life Insurance Corporation be considered as a retrograde step?

SHRI MOHAN DHARIA: I must say that what is required is not the competition. Even the Era Sezhiyan Committee Report does not suggest any competition. On the contrary, in regard to premiums what the Committee has suggested is the same policy. There may not be any competition even according to the Era Sezhiyan Committee. I would like to go deep into it. Look at the public sector undertakings like the LIC. They do not necessarily mean public sector but, at the most, you can say that from the capitalist sector, they come to the bureaucratic sectors. If we want to operate them as public sectors, some basic things are to be done. I would like to explain that after the discussion on the issue is over.

MR. CHAIRMAN: Since the investment pattern of LIC's investible funds is controlled centrally and is proposed to be continued on that very basis in future as provided under clause 57(2) of the Bill, would your apprehension of dangers of regionalism on the one hand and non-availability of adequate investible funds for less developed regions on the other, be justified?

SHRI MOHAN DHARIA: I have mentioned to the Committee that it is a very wrong approach. If we look at the efforts made by the LIC, in the western zone and southern zone, they will be having far more business as compared to the other three zones. Whatever premiums are collected in particular zones would be utilised for the betterment of that zone. This may not be correct. We see fissiparous tendencies that are developing in our country. If we are really interested in the integration of our people, then, present integrated LIC should not, under any circumstances, be split up. There should be only one LIC and it should be the authority of the Government to diversify its funds wherever they are needed.

Sir, you are coming from Rajasthan State. What will happen to it? What will happen to the eastern zone—backward area? If you look at my western zone, you may not be interested in having those funds only for my area but for other areas. I believe that the public sector undertakings, particularly, the public financial institutions, should cater more for the weaker sections of the country than for the urban or developed regions of the country. If this Bill is accepted by the Committee, they will be doing the greatest injustice to the poor and weaker sections of the country and weaker regions of the country. As I see in the country today, there is more and more demand for resources. Under the circumstances, it is better that all these institutions, wherever they are, their integrity should be maintained in order to maintain the integrity of this great country.

SHRI SATISH AGARWAL: You have mentioned the relevant points in your memorandum and we are happy to see you here to enlighten the Committee regarding splitting of LIC into five corporations. You have pointed out that splitting will adversely affect the eastern and central zones where the premium collection is much less. So far as the investment of the investible funds is concerned, if there is a uniform policy at the central level that wherever there is deficiency in any particular zone, the investible policy will be the same, then what is your opinion?

SHRI MOHAN DHARIA: The reason advanced in the Bill is that it should go to the rural areas. My point is that in maintaining the present set up, is it not possible to take the life insurance to rural areas? This may be the biggest organisation in the whole country. But if we compare it with the big multinational companies, then its business is not even 5 per cent. For the purposes of policy making, it is very much necessary that the policy should be centra-

lised. So far as functioning is concerned, it should be decentralised. When I look at all the public sector undertakings, I must say that our approach of looking towards public sector has gone somewhere basically wrong. Merely taking over some organisation by the Government does not make it a public sector. It becomes at the most a bureaucratic sector. In my opinion, public sector should be one which serves the needs of the society. It should be in a position to reach commanding heights of the economy. It should have involvement of the people including officers. It should be a fit instrument for the creation of a new social order. And it should help social transformation of the country. Unfortunately, we have not properly defined the public sector. I can assure you that it is not splitting which is going to help you. Of course, you will create more posts at the top level. Nothing more than that. If you really want that this LIC or other Corporations should function in the interest of the country, we shall have to go to the root of the basic cause.

MR. CHAIRMAN: Do you agree with the decentralisation of powers?

SHRI MOHAN DHARIA: That I have mentioned.

SHRI SATISH AGARWAL: Supposing, somebody wants to help insurance for life, why should there be a state monopoly in that, particularly when the State cannot reach 750 million people of the country?

SHRI MOHAN DHARIA: The very objective that we had in mind at the time when we nationalised the banks, I have the very objectives when I speak of the LIC. These are the areas where we cannot mobilise resources and those resources should be diverted particularly to have our social objectives fulfilled. Under the circumstances, if we want to have control over the resources of the Government then naturally this concept is very important in developing a poor country like ours. Let us not forget

that this country has accepted public sector. For particular reasons I stand by that. The only question is: how to make the public sector undertakings effective.

SHRI SATISH AGARWAL: Why should people be compelled to go to LIC for life insurance cover? I have seen their annual report. It is mentioned that 55,000 proposals are rejected by the LIC and policies are not granted to them. Where will these people go? If there is some sort of a competition, will that not be better as far as the people are concerned? For example, Mr. Joshi has suggested that State Bank of India has got so many branches all over the country. They can float one insurance company and they can operate through the bank branches in the rural areas also. That was an idea mooted. It was in that context I am posing this question to you. Why should the other public sector undertakings not be given licence to operate in this field so that they can mobilise the country's resources for this purpose?

SHRI MOHAN DHARIA: For your information and for the information of the hon. Members, when the banks were nationalised, since then I have been insisting on the unification of all banks. I have never given my consent for maintaining their separate identity separately. Now, we have more than 20 nationalised banks. Since then I have been suggesting, 'Why should we not have one bank in the country?' I can say with certain positive information that even the nationalised banks go to the extent of giving black money for new offices in the name of furniture etc. In States like Gujarat, Maharashtra etc. where there is a very fine network of the cooperative banks, there was no need of the new branches of the nationalised banks in the same villages. What was necessary was the coordination in between the cooperative banks and the nationalised banks. With all the experience at my command I may say that our poor farmers are afraid even to enter into the premises of the posh banks even in the rural areas.

If you look at the LIC staff structure and their structure you will find comparatively the staff is not lacking in its worth. Our objective is how to mobilise more and more resources and how best we can serve the people. I may say, better services are possible even through the public sector, without any competition as envisaged in the Bill.

While I was in charge of the Co-operation Ministry along with the Commerce Ministry, I could see that the price of the sugar mills plant of 1200 tons capacity was to the tune of Rs. 5,50,00,000 in spite of the competition. I investigated into the matter and I allowed one plant in cooperative sector. You will be happy to know that that sugar plant is yielding not only profits but has brought down the price from five and half crore to four crore rupees. If we can run something efficiently, some good results are also possible even in public or co-operative sector.

SHRI KUSUMA KRISHNA MURTHY: You say that competition will not help. So far as the banking sector is concerned, if there is competition, people get better service. I feel this could also be applied in the case of LIC when the split takes place.

SHRI MOHAN DHARIA: I do not think the banks are doing a very good job. It is not because of the competition, but it is because of the lack of approach. The question is: Are they having any motivation?

SHRI JANARDHANA POOJARY: You have stated that there will be regional imbalance so far as the allocation of funds is concerned. As per the existing practice, here all the five independent corporations will be provided funds from the Central kit and that money flows through the Planning Commission.

Another thing is about the element of competition. In the beginning of your evidence you have stated that the State Bank of India has been giving better service than your own bank viz the Bank of Maharashtra. That

means, you are fully satisfied with the performance of the State Bank of India. Not only that. As a Minister, I have been receiving complaints. For your information, I may tell you that when a retired Military Officer went to a particular bank for depositing money after his retirement, an employee there said, 'Why do you come here? Why can't you go to the other bank? This is the situation. For this there should be healthy competition. From the point of view of service also we have been hearing that the service of the LIC has been going down. In the case of banking sector among the 20 nationalised banks and their subsidiaries, if there is competition so far as service to the customer is concerned, don't you feel that that is better?

SHRI MOHAN DHARIA: One point is regarding the funds that are allocated by the Planning Commission. It is not the Planning Commission on the advice of which the funds are being provided to the country. The Government has taken charge of the Planning Commission these days and it works as an appendage to your Ministry and the Prime Minister's Secretariat. My contention is that there are various representations with the Eighth Finance Commission from various States. They have demanded resources from every sector whether it is the Income-tax or whether it is the sales tax or whether it is customs duty or whether it is the cess. There is a tremendous pressure on the Central Government. I can understand the demands from the State Governments. If the LIC is disintegrated the Chief Ministers of the States may say, 'when you are collecting so much of premium in our area, why is it not being given to us?' That is what they will claim. So, the best course is to have one unit for the whole country. If you want to maintain the integrity and unity of the country, it is advisable not to have more and more agencies but to have singular finance institution like LIC. That is the need of the hour. Regarding competition, there is no healthy competi-

tion so far as the nationalised banks are concerned. You are in charge of the Ministry. If you go through our earlier records, even for securing deposits you will find the way in which the concessions were given to the big houses. It will be interesting to have a study. It is all unhealthy. There is no unhealthy competition. As you say, if you go to a particular bank, the person there may ask you to go to another bank. It may be correct, but this has happened because there are several branches. If there is only one bank, he will have no choice. Something has gone wrong either at the functional or operational level. It should not disturb the basic policies.

SHRI RAMESHWAR THAKUR: I am thankful to you for your learned paper. It is accepted world-wide that wherever there is decentralized functioning and central control this process will be there, but in a big country like ours, is it not likely to improve efficiency if we have five control points instead of one located in a remote corner?

Secondly, you have rightly spoken about the central organization helping the flow of funds from one area to the other for bringing about integration of the country. We find that in spite of their being a number of central institutions like IDBI etc., we have regional imbalances which cannot be removed only by such institutions. There are other reasons behind this situation. If these institutions are decentralized, they will be able to function better in rural and backward areas.

Thirdly, you have said that LIC's funds help in the flow of funds for investment from better developed to backward areas. We find from the annual report for 1983 that in spite of this, the total investment as on 31-3-1983 in the Central region is 15.96 per cent; eastern region 19.72 per cent; northern region 15.35 per cent; southern region 24.31 per cent and western region

24.93 per cent. We find that in the northern region, the investment is less, compared to southern and western regions. If we have some policy guidelines from Planning Commission and other bodies, it should be possible to utilize that factor better.

Regarding the element of competition, we know, your views about the monopoly which exists viz, that you are against it. If there is one organization, there may be better functioning. But the idea is to have greater efficacy and to remove the difficulties faced by policy-holders. So, certainly it will be much better to have some element of competition. It is also possible as mentioned in the Bill, that one corporation is allowed to function in other corporation's areas. Your apprehension about bonus getting less in future, can be met. If we have the same premium and bonus rates, and within that framework if these five corporations compete with each other and there is intensive work in rural areas—will it not be better?

SHRI MOHAN DHARIA: I have replied about central control and decentralization of LIC into five corporations. Let us not forget that because of the existing pressures, and pressures likely to develop in future, with regard to decentralization of public funds, there will be more room for fissiparous tendencies to grow.

Regarding regional imbalances, it is not that they are there because of LIC and the nationalized banks. They are there because of the wrong approach and policies of the Government. Why should we not accept the man, or the village as the focal point?

Several measures can be taken in this connection. Maintaining the centralized set-up of this public institution, and following a better policy, is preferable. We can have better resources from these bodies. What has gone wrong is not the centralisation of the LIC. The Government itself has gone wrong.

Regarding investments, if proper directions are given by Government to LIC, there can be a far better method of investment.

On the advice of the Government, the present investments are made. This is the authority of the Central Government. Why have they not given directive so that it can work effectively. Then, you referred to my own statement. The State Bank is a major bank in the country. When it can operate efficiently in the country, why should it not be possible for the LIC to work efficiently? There are small banks which cannot be operated successfully. I think it has been very correctly said. I stand by my own arguments, and the reasons that I have advanced, even in the Rajya Sabha about which Mr. Advani is very much aware of. I do believe in keeping this identity, but, what is necessary here is a proper coordination and motivation. The employees have never been taken into confidence. One may criticise me for this. What is required is the involvement of the people. Please do not forget this.

If you look at the democratic pattern of our country, it is only 11 per cent of our people who rule this country. If you compare the number of voters who elect the Govt. to our population, this 11 per cent is nothing in a democratic set up. It must involve millions of people. Any question?

SHRI BAPUSAHEB PARULEKAR: You are totally opposed to the disintegration of the LIC. You also refrain from giving comments on the various clauses of the Bill. Suppose Parliament desires to accept this. Have you any comments to offer particularly, to two clauses? First is Clause 68-taking away of the rights of the employees and going to the country by creation of a Service Tribunal. Clause 68 refers to the Industrial Disputes Act-taking away the rights. Have you any comments to make?

SHRI MOHAN DHARIA: I refrain from offering any comments. Simul-

taneously, I re-state my own statement; I will read out what I have said in that statement. I quote:

"I am totally opposed to the disintegration of the LIC as envisaged in the Bill and therefore I am refraining from giving any comments on various Clauses of the Bill. While I appreciate the constitution of various tribunals, I would like to state that the creation of such tribunals should be discussed with the concerned parties including the representatives of the employees and then alone necessary recommendations be made. I am sure, proper forums to render quick justice may go a long way in avoiding strikes and agitations. This naturally calls for the creation of such Tribunals, which will foster the required confidence in the minds of the employees".

Regarding taking away of the rights of the employees, I would say that you are all members of the political parties. What is wrong if they become members of the political party? Let them have certain norms, and codes of behaviour. Let us not prevent the LIC employees from joining the politics. There is nothing wrong in that.

SHRI BAPUSAHEB PARULEKAR: What about Clause 68? That problem must be solved. It can be solved by talking with the employees.

SHRI MOHAN DHARIA: In my statement I have said that this country cannot afford to have lock-outs and agitations. We want to solve this problem. By taking away the rights or overriding the earlier enactments, you are not going to solve the problem. We should do justice to them by only inspiring the confidence in the minds of those to whom justice has to be done. Why don't you take people into confidence? This is my opinion and this is my approach to this problem.

I am sure that it would be possible to resolve several disputes by taking the working class into confidence.

SHRI BRAJAMOHAN MOHANTY: I seek a clarification from you. You are for a centralised organisation so far as financial institutions are concerned. Do you want such a centralisation to the other institutions also?

SHRI MOHAN DHARIA: I believe in socialist philosophy but not in dogmatic policy. We know about China. We are also aware of various collaborations with West Germany by USSR. Coca Cola is an instance in point. If you want progress in the country, please take the down trodden millions of people of the country with you. I am very clear on one thing namely that if anyone wants to create an obstacle and, to that extent, if any takeover of the organisation is necessary, it should be done not otherwise. There are several issues which could be discussed. But, they do not form part of this Bill and so I would not like to go into them.

SHRI BRAJAMOHAN MOHANTY: Do you agree that there should be trade unionism in insurance and banking sectors?

MR. CHAIRMAN: He has already given his views.

SHRI BRAJAMOHAN MOHANTY: What is his view in regard to the promotion of business?

SHRI MOHAN DHARIA: It should be done in this way. There should not be any split-up into five corporations but give more powers to the zonal offices.

So far as trade union movement in the country is concerned, it is not at all a healthy atmosphere. Today, a lot of professionalism has entered into trade-unionism. I must say that if something has gone wrong in the trade union movement, we should not condemn the whole movement. Therefore, I request the hon. Committee to devise some mechanism of having some sort of a dialogue with the trade unions so that there is no strike, lock-out agitation, etc.

MR. CHAIRMAN: Thank you very much.

(The witness then withdrew)

II. Actuarial Society of India, Bombay

Spokesmen:

1. Shri R. M. Mehta
2. Shri R. K. Daruwala.
3. Shri V. H. Vora.

(The witnesses were called in and they took their seats)

MR. CHAIRMAN: Before you start, I may point out that in accordance with the provisions contained in Direction 58 of the Directions by the Speaker, your evidence shall be treated as public, and is liable to be published, unless you specifically desire that all or any part of the evidence given by you should be treated as confidential. Even though you might desire your evidence to be treated as confidential, such evidence is liable to be made available to the Members of Parliament.

In your memorandum you have, *inter-alia*, mentioned that the desired objective of nationalising the insurance industry can be better achieved by a suitable change providing real autonomy in spirit and character and decentralisation of functions to the zonal, divisional and branch offices which can be brought about by an amendment of the LIC Act. Do you not think that this is what is being attempted by the present Bill since the type of decentralisation envisaged has not taken place for nearly three decades after nationalisation?

SHRI DARUWALA: We have pointed out that splitting up of the LIC on the lines of the Bill is detrimental to the interest of the life insurance industry. We have been told that once the Bill has been introduced, the substance of the Bill cannot basically be changed and that you cannot drop the Bill. If the Committee feels that some action has got to be taken, this is the lesser of the two evils.

MR. CHAIRMAN: In the same part it has been stated that the Life Insurance Board should be constituted into a sixth corporation and common fund created to determine the pre-

mium rates and bonus rates. If this is done would not the autonomy of the individual corporations be undermined and the competition to be generated among various corporations will not be encouraged?

SHRI DARUWALA: As far as the individual corporations are concerned, they would be given the authority to transact all the business except, to determine the premium rate, make the valuation and declare bonus. As far as autonomy is concerned, that will not be undermined.

MR. CHAIRMAN: In para 23 of your memorandum a suggestion is made that the subsidiaries of the GIC should be permitted to transact the life insurance business and *vice versa*. Do you think that this would be consistent with the nationalisation policy in regard to LIC and GIC pursued so far.

SHRI DARUWALA: It will be a better way of doing business than what has been suggested in the Bill.

MR. CHAIRMAN: In para 21 of your Memorandum it has been suggested that the investment decisions of the individual corporations will be subject to pressures of the State Governments. You have said it. We don't agree, but you said it. Since the Corporations will be functioning on an all-India basis, how far is this apprehension justified?

SHRI DARUWALA: Under the split up the Corporations will not be working on an all-India basis. At best what can happen is that they will have some branches in the other areas of operation. Otherwise they have their own areas of operation. Naturally there will be pressures from the State Governments to utilise the funds accrued in their own areas.

MR. CHAIRMAN: In view of the need for autonomy the Government has created specialised development banking agencies like the IDBI and the EXIM bank. Do you think that the same philosophy should not prevail in the insurance industry also?

SHRI DARUWALA: It can prevail if the investment of the funds is from one authority only. But when it is split up into five different bodies, that philosophy will narrow down from the all-India operations.

MR. CHAIRMAN: You have not answered the question. You have said in your Memorandum that this would be consistent with the nationalisation policy in regard to the LIC and GIC pursued so far. In view of the need for autonomy, the Government has created specialised development banking agencies like the IDBI and EXIM bank. Do you think that the same philosophy should not prevail in the insurance industry also?

SHRI DARUWALA: It should prevail, but when you have to separate the Corporations, how will it prevail? That is the issue. If the funds are controlled by one authority, as one body for all the 45 corporations, certainly that philosophy prevails.

SHRI JANARDHANA POOJARY: In para 23 of your Memorandum you suggested that the subsidiaries of the GIC should be permitted to transact the life insurance business and vice versa. The question put by the Chairman is: Do you think that it would be consistent with the nationalisation policy in regard to LIC and GIC pursued so far?

SHRI DARUWALA: It would be consistent. For that reason, when a subsidiary of the GIC is permitted to operate all over India, naturally their funds are on an all-India basis. They are not confined to a particular region. As it happens to-day the funds of the subsidiaries of the GIC are used according to the policy of the Government. They are not restricted to any one area.

MR. CHAIRMAN: Since the investment pattern of the LIC funds is determined centrally and no change is envisaged, what reasons do you have to believe that the States covered by the 'weaker sections' will not get their due share of investible funds?

SHRI DARUWALA: It is a matter of option. Supposing the Western

Corporation has got large funds, the Central Government may direct that they should be utilised in a particular manner, but if certain State Governments say that the funds should be utilised for Bihar, Bengal etc., then the problems arise.

MR. CHAIRMAN: Still we give money for the weaker areas where we want to have more development. If an area is weaker, we can allot that fund to that area.

SHRI DARUWALA: If there is an all-India body, we can certainly do it. But what we pointed out is there there would be pressure from the States. Certainly it is for the Central Government to decide. But there will be pressures from the State Governments.

SHRI R. M. MEHTA: Today the funds in the Western region are very much less than the surplus fund generated in that region. Once this is known that the western zone is contributing so much fund and they are investing outside, the western zone may feel that 'we are having this fund and you are investing it outside.' If there is a common fund, then this problem will not arise.

SHRI SATISH AGARWAL: This pressure will be much more if the Government belongs to one Party.

MR. CHAIRMAN: It has been argued in paras 16-17 of your Memorandum that the expense ratios of 'weaker' corporations being high, the bonus rates will be low. Please elucidate:

(a) If all the Corporations are allowed to compete in major cities, will not the difference in the present expense ratios narrow down substantially?

(b) Would it not be a fair statement to make that in the present arrangement there has been no compelling reason for certain zones to reduce their expenses?

SHRI DARUWALA: If you permit me, I will just go in a little detail. The elements which determine the permitted premium rate or the valuation surplus of the Life Insurance

business are three—mortality, the interest which the Corporation can earn and the expense ratio which it has to incur to procure the business and servicing the policies. These are the three elements which determine the premium rate and the valuation surplus. These elements differ from one unit to the other. The valuation surplus which would arise would be more or less dependent on whether the expense ratio or the mortality is in comparison with others. We have given the statistics to show that from zone to zone the expense ratio and mortality differ.

MR. CHAIRMAN: If all the Corporations are allowed to compete in major cities along with the intensive development of their respective areas, will not the difference in the present expense ratios narrow down substantially?

SHRI DARUWALA: I would like to say that our own feeling is that if competition is permitted, it will result in disaster. As far as the five corporations are concerned, they will be starting with inherent differences in the elements which constitute the premium or the valuation surplus. Their experience will be different. There is an inherent element. The quantum of business handled in different zones at present is such that bonus paid by the five different corporations in future will be different. If this happens, and a corporation which is strong and is able to declare a higher bonus is allowed to operate in the areas of the other corporations—especially in those of the weaker corporations, especially in metropolitan cities—the result will be that the cream of business will be taken away by the stronger corporation. For example, if the western corporation is able to declare a bonus of Rs. 50 on its endowment policies, and if the eastern regional corporation gives only Rs. 20 or Rs. 30, naturally if the western corporation is allowed to operate in Calcutta, it will get all the cream of business.

SHRI SATISH AGARWAL: Why should the policy-holder be deprived of a higher bonus, just because a particular corporation is inefficient?

SHRI DARUWALA: We have said that it is not only on account of better service that there is difference in bonus paid, but it is there because of certain inherent drawbacks. It is also not due only to a better operational efficiency of a corporation. Our reasons for this state of affairs have been enumerated in our memorandum.

MR. CHAIRMAN: Have you any suggestion to offer on how the different corporation, after reorganization, can be made to have equal liquidity?

SHRI DARUWALA: We don't have an answer to it; otherwise, we would have given it in the memorandum.

MR. CHAIRMAN: Now paragraph 40. It has been mentioned that in regard to tribunals, their decisions, except those relating to the jurisdiction of courts under Article 32 or Article 136 or Article 226 of the Constitution, will be regressive. In this connection, your attention is invited to Articles 323A(2)(d) and 323A(3) of the Constitution which contain a similar provision. In view of this, how will you justify your stand?

SHRI DARUWALA: If someone is not given the right to approach the court, it will be a regressive step.

MR. CHAIRMAN: We have not debarred them from going to the court.

SHRI LAL K. ADVANI: The right is there in the Constitution. He can go to the court and seek a writ. But the fact is that he has been precluded from going to the court.

SHRI BAPUSAHEB PARULEKAR: Your paragraph 40 says that this provision takes away the normal legal remedy. Clause 24(4) of this Bill says that for policy-holders, that right has been given. So, concurrent remedies have been made available in the Bill; and the choice has been given to the policy-holder. He may go to the tribunal or to the civil courts. This ordinary right of the citizen has not been barred. An additional remedy has also been provided. Why

do you want that these things should not be there?

SHRI DARUWALA: The normal thinking would be that in case the tribunals are appointed, the question of costs will arise.

SHRI MEHTA: It is true that the policy-holder has the option. But the people we want to protect do not have that legal or expert advice. It would be better for them to go either to the tribunal or to the court. The legal position is that at present, there is a right of appeal. That right will be taken away. We are protesting against it.

SHRI BAPUSAHEB PARULEKAR: If he decides to go to court, the option is there. In addition to this, the right which is given to the policy-holder is not made available to an employee of the LIC, because a similar provision is not there. Don't you think that it would be better if a provision is there in respect of LIC employees?

SHRI DARUWALA: After it is considered by the tribunal. That is what we would want.

SHRI BAPUSAHEB PARULEKAR: If anybody goes to the tribunal—then against its decision, he should have the right to move the court.

SHRI JANARDHANA POOJARY: Do you think that the constitution of the tribunals will result in speedier disposal of cases? According to you, this is a special provision, i.e., an additional right has been given. So, the right of appeal has not been taken away, if he goes to the court.

SHRI LAL K. ADVANI: Questions have already been put on paragraph 23. If we want competition, the better way according to you is to allow GIC to enter life insurance business or vice versa.

Yesterday, there was a similar suggestion, viz., that the GIC to-day has not branches in the same places where

LIC has got them, whereas, the State Bank, for instance, or the nationalised banks, have many more branches. So, the objective of the Bill is to ensure that the Life Insurance goes to the countryside and a larger section is covered. Would it be feasible if the State Bank is allowed to start the subsidiaries of life insurance business? This is the suggestion mooted by someone in the G.I.C. It was pointed out to us that the State Bank have many more branches and so, it would be possible for them to ensure competition as also to ensure the spread of life insurance in rural areas. What have you to say about this?

SHRI R. K. DARUWALA: The basic question arises whether the State Bank is competent at all to do life insurance work. As far as General insurance is concerned, the servicing of business is more or less common. The agents who know something about the Life Insurance also do the general insurance. Today there are two Corporations in the GIC with the development staff. They are doing both the business. It is from that angle I do not know whether the State Bank is competent enough in going in for insurance business.

If at all competition is to be insisted upon then, perhaps, creation of five zones may not be a better way doing it. In the first instance, we have suggested that forming of the so-called corporations would lead to different bonuses and complications will arise as a result of that. The GIC and subsidiaries are operating on an all-India basis. They will get the same class of business which the LIC is getting.

As far as the class of business is concerned, inherent drawbacks would be there. In respect of the zonal corporations of the LIC, some of the drawbacks could be removed to an extent. We have not said that this is the best solution. We have said that some of the drawbacks could be removed.

SHRI RAMESHWAR THAKUR: You can comment on Clause 42 of the Bill. It says:

"Every Corporation shall, once at least in every two years, cause an investigation to be made by actuaries into the financial condition of the life insurance business of the Corporation, including a valuation of the liabilities of the Corporation in respect thereto, and submit the report of the actuaries to the Central Government."

My question is: If there are five instead of one, will there be any difficulty in having the valuation?

SHRI R. K. DARRIWALA: According to us, there should not be any difficulty even all the five Corporations are created. On the contrary the business of the five Corporations would spread.

SHRI RAMESHWAR THAKUR: Many questions were raised. Please refer to Clause 4(3) of the First Schedule, Page 33. I quote:

"The Central Government shall constitute a Committee consisting of not less than three and not more than five persons who, in its opinion, have special expertise in the matter of evaluation and allocation of assets and liabilities of bodies corporate, for the purpose of evaluating and recommending the allocation of the assets and liabilities of the dissolved Corporation amongst the corresponding Corporations in accordance with the provisions of subparagraph (4)."

Suppose Government takes a final decision and says that evaluation would be necessary of the assets and liabilities. As an expert body, would you say there is any difficulty when a decision taken is final? Suppose you find that there is a little higher evaluation of assets and liabilities, is there any technical or professional difficulty? You give us your professional opinion.

SHRI R. K. DARRIWALA: In our memorandum, we have pointed out the position that will exist in respect of this Corporation.

MR. CHAIRMAN: What about bonus?

SHRI R. K. DARRIWALA: The basic question that will have to be decided is as to whether the people should get the same amount of bonus or it should be separated according to the zones of the corporation. If the decision is that the existing policies of the Corporations should be allowed the same bonus, then, I think it will be very difficult to implement it. This is what we have pointed out.

SHRI RAMESHWAR THAKUR: Let him tell us whether the professional difficulties would arise or not.

SHRI R. M. MEHTA: We have to examine the decision of the Government as to whether the bonus is going to be given common or not. Some technical difficulties are going to be there. The Committee will first submit a report. There will be unreliability of the data available at the present moment which may create a number of problems leading to certain delays.

SHRI RAMESHWAR THAKUR: Is it impossible?

SHRI R. M. MEHTA: If you are doing evaluation on a continuing basis on the basis of inaccurate data, that would not matter very much but, when you split up the existing Corporation into five different corporations, on a permanent basis, the reliability of data for evaluation is far more important. That is why I say the problem remains still. It becomes a difficult problem. I would say that technically, there is no difficulty at all.

SHRI RAMESHWAR THAKUR: My last question is this. As you rightly pointed out, each depends inter-alia

on mortality rate which, in turn, depends on many factors. To-day there is no uniformity in the rate of premium. In your memorandum, you have also said that it all depends upon the operational efficiency. The premium also depends on the proportion of business transacted in the rural areas. These are basic factors. In regard to expense ratio, please tell me one thing. Suppose the premium all over India to all policyholders is same, the interest on deposit in banks is also the same. If there is uniform rate of premium and bonus for all the Five Corporations, don't you think that there would be no competition at all? There are areas where there would be better income. When there is intensive operation and more business in rural areas, the expense ratio which is higher at present can be lowered. If the volume of business in the rural areas is more, the expense ratio would be less. As a professional body I am asking a question—don't you think that the expense ratio must go down or at least this should be better to-day than before. As the banks are doing, if the LIC goes into the rural areas, the expense ratio could be reduced.

SHRI MEHTA: About the common bonus rates, if there are separate funds and separate evaluation, you cannot have common bonus. As for the expense ratio, it cannot depend upon the volume of the business. Even if they succeed in enlarging their business, their expense ratio can still be higher. About real business, real business requires larger expenses, both in procurement and in servicing.

SHRI JANARDHANA POOJARY: If the intention of the legislation is to cover more people and the benefit is to reach the weaker sections, then what is your point?

SHRI R. K. DARUWALA: For that reason we have said that if you do have five corporations, you keep the funds common with one of the corporations

and five corporations can function for development of business in rural areas. About common bonus for all the five corporations, supposing the Bill stands as it is, we have pointed out that the capacity of each of the corporations in the matter of generation of funds, valuation of service will be different. According to the Bill, you will have to distribute bonus to all the five Corporations. If this is done, there are chances that the weaker corporations may find themselves in deficit. Is there any way of making up the deficit? This is likely to happen. That is where you cannot have uniform bonus with the funds separate. What we have advocated is, let the funds be common and declare a common bonus.

MR. CHAIRMAN: Thank you very much.

(The witnesses then withdrew)

III—All-India Confederation of Bank Officers Organisations, Pandyan House, Bombay

Spokesmen:

1. Shri Visu Viswanathan
2. Shri L. V. Subramaniam

(The witnesses were called in and they took their seats)

MR. CHAIRMAN: Before you start, I may point out that in accordance with the provisions contained in Direction 58 of the Directions by the Speaker, your evidence shall be treated as public, and is liable to be published, unless you specifically desire that all or any part of the evidence given by you should be treated as confidential. Even though you might desire your evidence to be treated as confidential, such evidence is liable to be made available to the Members of Parliament. Do you agree with the Bill?

SHRI L. V. SUBRAMANIAM: Yes, I agree that Life Insurance should be split up.

MR. CHAIRMAN: You have mentioned in your Memorandum that the Controller of Insurance should be

outside the Ministry of Finance and directly answerable to the Parliament. Can you cite any instance where this arrangement is working or has worked? Do you think that under a nationalised set up of the insurance industry in India such an arrangement is feasible?

SHRI SUBRAMANIAM: We have made this suggestion; Controller is accountable to Minister only and not to senior Secretaries.

MR. CHAIRMAN: But I am putting you this question.

SHRI SUBRAMANIAM: There may not be an exact parallel.

MR. CHAIRMAN: What do you mean by 'exact'?

SHRI SUBRAMANIAM: I do not think there is any exact parallel, life insurance is not nationalised elsewhere as in India. But we have given a new suggestion which we thought out. Instead of splitting the Corporation, split the insurance itself into different segments, each segment will be taken as a modern concept. We borrowed one idea of linked insurance from outside India, and from our Government's own (E. G. I.) linked Saving Scheme, 1980.

MR. CHAIRMAN: That you have mentioned in your Memorandum.

SHRI SUBRAMANIAM: There is no parallel as far as we are concerned, but the Controllers' duty is to uphold Insurance Act, LIC Act and actuarial scientific principles.

MR. CHAIRMAN: Do you think that under a nationalised set up of the insurance industry in India such an arrangement is feasible?

SHRI SUBRAMANIAM: Yes, It is because we have not tried to work it out in LIC. There is, however, a guaranteed growth rate of interest accumulation, only under the Government (EGI) Scheme, 1980. If we try to work it out, it can be done. Government's own scheme is working within the Government organisation. In the Armed Forces there is a separate Insurance Department. Even

the Tamil Nadu Government has given insurance cover to its employees outside the LIC and it has been running its own affairs separately.

MR. CHAIRMAN: You have suggested in your Memorandum that the Indian Institute of Actuaries should look after research, investigation, training and coordination in regard to insurance matters. Don't you think that all these matters are integral to the healthy internal growth of the industry and cannot be left to be taken care of by an outside agency? In support of your contention, please elaborate where such arrangement is entrusted to an outside agency in a nationalised set up.

SHRI SUBRAMANIAM: We have given the points. The basis of our entire suggestion is because of inflation the whole concept of insurance has undergone a change. Inflation has made insurance business totally different today. We have seen that the Actuary is not advising the LIC properly. Today the cost of insurance expenditure has gone up so high—Rs. 250 per policy is initial cost and Rs. 45 is the recurring renewal cost. The cost is so high that the whole thing has to be re-examined. That is why we feel that the whole scientific revision should be done regarding expense provisions and interest rate guarantee. We feel that we can also give a separate statement and we have done it and we proved it by fine statistical data. I request this data also should be recorded. Each item has been clearly explained there.

MR. CHAIRMAN: Under Section 44 of the present LIC Act, certain exemptions have been provided. If a large-scale demand is conceded for exemption, would that not seriously erode into the life insurance business both of the existing Corporation and the proposed Corporations?

SHRI SUBRAMANIAM: We only want exemption for group cover insurance, deposit linked insurance and

trust fund linked insurance. We have asked these exemptions so that independent arrangements have large operations. As for the trust fund, it can carry independent insurance cover outside the LIC monopoly.

MR. CHAIRMAN: What is the approximate total amount that will be involved?

SHRI SUBRAMANIAM: As bank can have its individual actuarial cell because the managerial expenses can be substantially reduced. So, each organisation can be allowed on a reinsurance basis and it can also help the policy-holders. If the Government can give for its own employees a cheaper insurance, it should be better open to all in our country.

MR. CHAIRMAN: What is the main purpose of this LIC?

SHRI SUBRAMANIAM: To grant cover as a monopoly, with savings on a longterm basis. Death cover is provided only by one organisation, so it is very costly. We feel that the banking network in the country is so widespread that banks can do linked insurance business with deposits. In America the biggest banks are undertaking such insurance business. So insurance will be undertaken through the banking system, in the Public Sector only to start with.

SHRI SATISH AGARWAL: Have you prepared a note on this?

SHRI SUBRAMANIAM: Yes, we have submitted an open Memorandum to Finance Minister in March 1981.

SHRI LAL K. ADVANI: It has been argued before the Committee that the banking set up in our country is not equipped to undertake insurance. Would you say anything on this as a representative of the bank officers?

SHRI SUBRAMANIAM: If the Unit Trust of India could do it without insurance rights etc., in the banking network can do it as cover is provided to be re-insured with India-Re. The expertise of the banking management is already available. A villager need not go

to a big town like Kanpur for insurance. He can go to the nearest bank for insurance linked deposit.

SHRI LAL K. ADVANI: Someone suggested that if there is to be a competition there should be competition between the GIC and LIC because it is argued that GIC is more equipped to deal with insurance matters whereas the banks are not.

SHRI SUBRAMANIAM: We have been telling that GIC can sell only death cover GIC is not a savings mobiliser. We say that the banks can do this linked insurance with their deposit. The banks mobilisation can deal with deposits etc. and you can superimpose insurance on the fixed and on recurring deposits. This will ensure that the expenses of management and 5-year deposit rate of interest are taken care of by bank managements themselves. You can link insurance also. But Government may not be able to get long-term funds, as LIC was getting them.

SHRI KUSUMA KRISHNA MURTHY: When they have so many responsibilities, will the banks be able to do this work? Our banking system has a social responsibility to fulfil.

SHRI SUBRAMANIAM: It should not be difficult at all. Whatever interest rate applies to ordinary deposits, will also apply to Deposit Links Insurance.

MR. CHAIRMAN: In your memorandum you have suggested that the Claims Tribunals and the Appellate Claims Tribunals should be under the jurisdiction of high courts. What advantages do you envisage in doing so? Are you aware of the delays which take place in getting redressal of the policy-holders' grievances by the courts?

SHRI SUBRAMANIAM : The split need not be linked to this.

Even under the existing position, the tribunals can be created, under the scheme we have suggested. The present Section 17 of the LIC Act can be used for this purpose. Only the Appellate Tribunals should be under the jurisdiction of High Courts.

There are so many reasons given for splitting up LIC; but there is no necessity to split LIC, for creating the tribunals. So, we feel that a vertical split of the LIC is better. Split insurance itself, and not LIC. It can be sold absolutely cheap. If Government can handle insurance i.e. can provide death cover at Rs. 4/- per Government employee, it means Government economises the management expenditure. Other organisations can also do it.

SHRI RAMESHWAR THAKUR: According to you, the traditional business of the pre-1970 era should be done by LIC as such, and other businesses like linked Term Life cover insurance should go to GIC, whereas sick insurance and linked insurance should be given to banks and trusts. Do you think that the five corporations should cater to the insurance industry as such and there should be coordination between GIC, nationalized banks and the LIC in respect of specific types of insurance? We are spending a lot of money on LIC agents. Instead of having agents, if we give the work to the branches of nationalized banks who can carry on the business on behalf of LIC, it would be better; and banks will get some income.

SHRI SUBRAMANIAN: LIC is not a trustee in the real sense of the term. It does not guarantee interest at all. They give only an yield to maturity at 4½ per cent. UTI is already doing insurance. The real problem relates to tax rebate. It is available only to the high income group of people. Tax relief is totally irrelevant to the general majority of people in India who have not yet been touched by the Income-Tax Act.

They do not have the income necessary to get this benefit. It has been removed from UK statute this year.

SHRI RAMESHWAR THAKUR: Today this tax benefit is available only to people in the urban areas. It is very relevant, but it will be more relevant if this relief given to people in rural areas. But what about my question whether this work can be taken up by banks, instead of being done by agents?

SHRI SUBRAMANIAN: The banks will not take up LIC Agency on Commission income basis but upto a point i.e. upto policies each worth Rs. 25,000/- we can give linked insurance easily.

SHRI RAMESHWAR THAKUR: But can the banking industry do it, just as the post offices are doing it?

SHRI SUBRAMANIAN: It can be done. It will be cheaper also. Why build an infra-structure, when we have the banking system?

SHRI BRAJAMOHAN MOHANTY: You say that on account of inflationary pressures on the economy, the insurance business is affected very much. This pressure is an international phenomenon. How are the other countries dealing with this situation?

SHRI SUBRAMANIAN: We have made it very clear in our statement the basis on which the LIC fund is being invested. You are all aware that most of the amounts are invested in Government Securities. That is why inflation problem comes in. There is no capital appreciation of investment nor interest guarantee as under PF or NSC.

SHRI BRAJAMOHAN MOHANTY: The Country's problem is social problem. Others are thinking of individual benefits. What is your opinion on this?

SHRI SUBRAMANIAN: Take the country like UK. They have a system of investments involving huge amounts; there the property goes on appreciating in value. Social obliga-

tion as envisaged under Article 38 are looked after by Government's own compulsory social security schemes for all with Govt's subsidiary.

▲ **MR. CHAIRMAN:** Have you anything more to add?

SHRI VISU VISWANATH: In foreign countries, Government itself is giving social security and the money flows for the purpose of social benefit payment, linked to retail price index. In India, the LIC has to extend its role so as to cover the rural people through some public financial institution on group-cum-interest guarantee basis. In the UK under the social security cover they can revise contributions and benefits under pay-as-you-go method. The intake of savings is very small three for development purposes of Government.

▲ **SHRI SUBRAMANIAN:** Government wants to economise as also to cover more and more people by the LIC.

MR. CHAIRMAN: We want you to go to the rural areas. You have given an important suggestion that there should be an Indian Institute of actuaries. Actually, we have got an Actuarial Society of India which conducts the entrance examination and gives certain guidance. We are depending on the recognised evaluation made by the Institute of Actuaries, London. You have suggested that there should be an Indian Institute of Actuaries which is a good suggestion. You further say that Government should not depend on the examination of a foreign body.

SHRI VISU VISWANATH: There are many controversies about it. It is said that the actuaries of the LIC are indulging in so many illegal things. In foreign countries these things are published and there is a public forum. Therefore, the people come to know of these. We suggest that there should be a proper forum in regard to research and development. It is kept confidential here. Science should not be kept confidential. Fraud should be publicly debated.

ed. Only defence related science should be kept confidential. In India, Actuarial science is practically dead for the controller is under Finance Secretary and is not hence independent.

SHRI RAMESHWAR THAKUR: Your Society, I believe, consists of people who are actuaries.

SHRI VISU VISWANATH: The Actuarial Society of India of which I am a Committee Member does not discuss controversial issues. I say in foreign countries, these are discussed and the proceedings are made public in journals immediately. I say that Defence related Science is to be confidential but not other sciences. Actuarial Science as such is not confidential. Our Actuarial Society of India does not give any initial lessons, nor conduct any classes of guidance.

SHRI SUBRAMANIAM: In the opening paragraph itself I have added one sentence. We have written 15 points. In regard to drawbacks in the working of LIC we did not want to elaborate them. These five drawbacks are technical points where we have criticised on the working of the LIC. Five Tables are given today as part of our memorandum.

SHRI BRAJAMOHAN MOHANTY: I want to ask whether you have discussed this memorandum.

SHRI SUBRAMANIAN: We have passed a Resolution in our General Body and we discussed that afterwards and then we have arrived at the conclusion to present some memorandum to the Finance Minister. Having submitted it, we have practically resubmitted it to you, but is a confidential one.

SHRI VISU VISWANATH: The memorandum has been submitted to the Ministry of Finance in March 1981 but we had not. We cannot disclose that to you the substance of that memorandum has been circulated two years back to the employees in the banking sector. We have already published that memorandum sent to the Finance Ministry. It has

already been circulated in full and in digest form. Not only that, News paper articles also have been written about it.

SHRI BRAJAMOHAN MOHANTY: Have you taken into confidence the employees also?

SHRI VISU VISWANATH: Yes. In 1980-81, a resolution was also passed by the General Body. And that itself was the starting point.

MR. CHAIRMAN: Thank you very much.

(The witnesses then withdrew)

IV—Retired Insurance Officers Association, Bombay

Spokesmen:

1. Shri S. N. Vaidya
2. Shri T. P. Panthkey
3. Shri C. D. Thamb

(The witnesses were called in and they took their seats)

MR. CHAIRMAN: Before you start, I may point out that in accordance with the provisions contained in Direction 58 of the Directions by the Speaker, your evidence shall be treated as public, and is liable to be published, unless you specifically desire that all or any part of the evidence given by you should be treated as confidential. Even though you might desire your evidence to be treated as confidential, such evidence is liable to be made available to the Members of Parliament.

Do you want to make any general observation?

SHRI VAIDYA: Our main theme is that the division of the LIC into five corporations is not in the interest of the policy-holders present and future. It would not be in the interest of the agents and employees and national integrity. It will not be conducive to the admitted objectives of the LIC. It would lead to uneven development of business and it will lead to unhealthy competition.

SHRI JANARDHANA POOJARY: According to you, there is no unhealthy competition among the agents at present.

SHRI VAIDYA: It is there and it will remain there so long as agents are paid commission. This type of unhealthy competition which is prevalent in LIC is very much prevalent in GIC. If there are five corporations canvassing all over the country, similar unhealthy practices will come with regard to the payments of relates among the five corporations.

MR. CHAIRMAN: Your attention is invited to Item 4 on page 8 of your memorandum regarding your suggestion dealing with the status of zonal corporation and advisory boards to that of a full board of the corporation and suggesting modified role of the central office as contained in Items 1(2) to (9) on pages 8 and 9. Will these requirements not be met by the Bill which provides to constitute zonal corporation and Life Insurance Board which will take care of almost all the items you have suggested for the central office?

SHRI VAIDYA: I think the powers given to the advisory Board are merely advisory. They (the proposed five corporations) are not accountable. But they (the Board) have no power to tell them to do this or not.

MR. CHAIRMAN: You can go through clause 15. Have you gone through clause 15?

SHRI VAIDYA: No, but generally, I have gone through the Bill.

MR. CHAIRMAN: You also go through clause 20—Functions of the Board.

SHRI VAIDYA: About clause 20, I do not think that it can give advice. But that would be in the nature of advice only.

MR. CHAIRMAN: It is stated: "The Board shall from time to time review the functioning of the Corporation."

SHRI VAIDYA: 'Review' is a review only.

MR. CHAIRMAN: It is a review of the whole work done. What have you suggested in your Memorandum?

SHRI VAIDYA: I would like to differentiate between 'advice' and 'control'. I receive advice from my solicitors. But that does not mean that I will accept that advice. Now that we are on the rights of the Board, I would say that about the investments of the Corporation, the Board does not seem to have any authority to tell them to do anything.

MR. CHAIRMAN: There is an Investment Committee.

SHRI VAIDYA: The Board which is separate from the Corporation has no authority to decide upon the investments or even give advice on the investments. There is nothing of that sort mentioned here.

MR. CHAIRMAN: Please see clause 20(e).

SHRI VAIDYA: I would say their office will be in Delhi.

MR. CHAIRMAN: Bombay is overcrowded now.

SHRI VAIDYA: I do not think anybody will say that Delhi is less crowded.

MR. CHAIRMAN: Please elucidate how the reorganisation of the present LIC will bring in fresh elements responsible for unhealthy competition which do not exist in the present system.

SHRI VAIDYA: Unhealthy competition today is only at the level of the agents. There is competition between one bank and the other bank. There is competition between one branch and the other branch, but that competition is more or less based on which bank gives better service and that sort of competition is something healthy, not unhealthy. So far as agents are concerned, there is some element, of unhealthy competition.

The LIC has tried and is trying to avoid it as much as possible, but there are limits to what the LIC can do about it.

MR. CHAIRMAN: Can you give some concrete suggestions regarding this unhealthy competition?

SHRI VAIDYA: Some of this unhealthy competition is unavoidable. I will just try to illustrate. If I am being given a commission of 25 per cent of business and my colleague is also getting 25 per cent, but he is also getting bonus of 5 per cent, he is doing much more business than I do. My colleague may be tempted to split that extra commission with somebody also. He can do better business by passing some of his commission to the other man. Then, unhealthy competition starts.

SHRI SATISH AGARWAL: But it will benefit the policy-holders also.

SHRI VAIDYA: But there are hundreds of policy-holders who do not ask for commission.

SHRI SATISH AGARWAL: As a matter of fact there should be a rule that the first year's commission should be given to the policy-holders because the policy-holders are never serviced by the agents after that.

SHRI VAIDYA: I have been in the insurance business for 50 years. I know of an agent who has been doing consistently a large volume of business by servicing the customers.

SHRI SATISH AGARWAL: Ninety per cent of the agents do not care about the policy-holders after two or three years.

SHRI VAIDYA: Quite a large number of agents are consistent in their business. The percentage of agents who maintain their agency is quite high.

MR. CHAIRMAN: In your Memorandum (page 7) you have raised apprehensions regarding large-scale transfers of officers and employees leading to personal difficulties and in-

conveniences. In this connection, your attention is invited to provisions of para 4 of the Statement of Objects and Reasons of the Bill and the First Schedule in so far as it relates to transfer of officers and other employees. In view of this, how would you justify your apprehensions? When powers are given to five different corporations, there will be some officers who will be required to be transferred from the present Central office to those corporations. The question of seniority will then arise. There will have to be some more recruitment of officers in the various corporations, with the result that there will again arise questions of seniority among officers and suitability of officers for particular jobs; and transfers may have to take place, because there will be more than one more officer suitable for a particular job. This problem was there when LIC was started, because there were 200-odd companies earlier. So many officers were there, having the same qualifications, doing the same jobs; and because of seniority and of availability of many officers, people had to be transferred.

SHRI JANARDHANA POOJARY: At present, are there no officers transferred from south to north?

SHRI VAIDYA: There are.

SHRI JANARDHANA POOJARY: One corporation can open offices in areas of other corporations; and so, officers will have to be shifted.

SHRI VAIDYA: The ultimate destination of transfer may be to his place of his origin. But it need not always be beneficial to the particular officer. I may belong to Bombay, but I may like to settle down in Delhi. But it may not be possible to provide for this, in this Bill. After his retirement, the officer will have to take a permanent residence, if he has a house in Delhi for example, and another in his native place.

SHRI JANARDHANA POOJARY: You say that we will not be able to satisfy every person.

SHRI VAIDYA: I agree; but as far as possible, it should be the attempt of the employer to do the best he can for his employees to enable the latter to settle after retirement, according to his wishes. This is a general role of management.

SHRI JANARDHANA POOJARY: At the same time, the interest of the nation is also important. The organization is not for the employees alone; it meant for the country as well.

SHRI VAIDYA: I agree, but it is for the employees also. They are also a part and parcel of the organization.

MR. CHAIRMAN: Question 5: Have you any suggestions to offer as to how in the interests of the policy-holders, uniformity in bonus rates can be achieved?

SHRI VAIDYA: In the entire history of insurance, the same rate of bonus was being declared, even by the previous companies. LIC is also doing it. Every policyholder expects that this practice will continue, wherever he may reside in India.

SHRI RAMESHWAR THAKUR: You have made valuable suggestions in page 8. They fit in with the provisions of the Bill e.g. transfer by the Central Office powers regarding developmental administration of business to zonal offices. You also speak of zonal officers being charged with the responsibility of doing everything to achieve the objectives of nationalization, etc. You also say that the zonal board may be elevated. This is being done under the provisions of this Bill.

You have said that a few residuary powers should be left with the Central Office. Advice on these things will be given by the Board. Your points have been fully met in this Bill. So, this Bill should be welcomed.

SHRI S. N. VAIDYA: May I say that what we have said is very clear? On

page 8 you will see that we have said that transfer of power of the development and administration does not mean transfer of power in regard to investment, preparation of accounts, valuation and declaring the bonus. All those are left with the Central Office. We have made it clear that the Central Office functions would be to calculate and review the premium rates and then to prepare the accounts and publish them. As regards investible funds, we collect the information from all zones. We suggest that the Central Office should have the powers of collecting all the investible funds from all zones and invest them and the zonal Office should be responsible as regards development of business etc., etc. It has been suggested by us that the Central Office be given the powers and they can conduct management audit and point out any deficiency in the management of the zonal office. They also render advice on all matters. It has been stated on page 9, 1st line, that where the Central Office has reason to believe that some errors and irregularities exist in the organisation or methods followed by the zonal office in all or any other matter which are considered serious enough as to require investigation, the Central Office should give directions. These powers have to be used with certain caution.

SHRI RAMESHWAR THAKUR: I have only one supplementary to put. Firstly the accounts are prepared by the zonal offices and then they are audited by them. Suppose if five accounts are prepared by the five zonal offices, there should not be any difficulty. About the management audit, you say that this function is centralised to-day. Even then you have got a team of internal auditors in each zonal office. If the accounts are intensively compiled and audited at the zonal level in five corporations, don't you think that it would be an easier way to examine more closely and submit the accounts expeditiously?

Within the parameters of the Bill, will you agree whether this Bill meets with the suggestions given by you?

SHRI S. N. VAIDYA: Sir, the accounts are prepared at present zonal-wise and then they are consolidated and published as one account of the LIC. So, all the zonal accounts are consolidated at the central offices. There is evaluation done at the zonal offices. The decision regarding the bonus is taken by the zonal office on the basis of the combined results of the valuation.

SHRI RAMESHWAR THAKUR: If five corporations will have to compete, then there will be a better compilation. Even so, you have to give all the details to the five zones in the compilation of accounts. If there are five corporations, even then the accounts can be compiled. Without difficulty comparison will be available for the five zones.

SHRI S. N. VAIDYA: The position to-day is that zonal offices prepare merely the income and expenditure accounts. There is no revenue account. Firstly, there is no fund to start with at the zonal level. So far as the corporation accounts are concerned, to start with, is a revenue account showing the fund at the beginning of the year. What we want to say is that there must be one account one bonus and one valuation. If there are a separate valuations, there will be separate bonus that is going to cost a lot of trouble and a lot of heart-burning amongst the policy-holders which may lead to dissipated tendency and it is going to lead to all sorts of malpractices.

SHRI RAMESHWAR THAKUR: Suppose there is a uniform bonus throughout India. Is it accepted?

SHRI S. N. VAIDYA: If there is one bonus, one valuation and one uniform premium throughout India, that cuts at the very root of the five separate corporations.

There is another thing which I would like to point out. "The management audit" is different from the audit of accounts. The former touches upon the way in which it is managed, any errors of the management can be easily pointed out.

SHRI RAMESHWAR THAKUR: To whom are they accountable if they have committed errors?

MR. CHAIRMAN: They are accountable to the people of the country. Is it correct?

SHRI S. N. VAIDYA: Well, Sir, the LIC is to-day ultimately accountable to the people of the country. The result is that there are some people who are not satisfied with the LIC.

MR. CHAIRMAN: Thank you.

(The witnesses then withdraw)

V—Bombay Chamber of Commerce and Industry, Bombay

Spokesmen

1. Shri P. J. M. Panikar
2. Shri C. M. Maniar
3. Shri B. P. Gunaji
4. Shri Uday Khanna
5. Shri C. S. Shah
6. Shri S. M. Billimoria
7. Shri K. D. Patel
8. Shri N. H. Thonawalla

(The witnesses were called in and they took their seats)

MR. CHAIRMAN: Before you start, I may point out that in accordance with the provisions contained in Direction of the Directions by the Speaker, your evidence shall be treated as public, and is liable to be published, unless you specifically desire that all or any part of the evidence given by you should be treated as confidential. Even though you might desire your evidence to be treated as confidential, such evidence is liable to be made available to the Members of Parliament.

MR. CHAIRMAN: Would you like to make any brief observation?

SHRI P. J. M. PANIKAR: First of all, we support the re-structuring of the LIC because in our view restructuring will improve efficiency and greater efficiency will mean less cost to the consumer i.e. to the policy-holder. We also believe that small organisational units will be able to provide better service. We would like to submit a word of caution. It often happens at least in business that when you start an undertaking it causes duplications. And the other problem is, when the units are split up, there is lack of coordination. In our view, the first point can be controlled if the Bill is passed by having a close watch by the Government. Regarding coordination I see from the Bill that this will be the function of the Board. It would be useful if as part of the functioning of the Board three or four things are taken into account viz. How will officers and men be co-ordinated and how resources will be co-ordinated and how overall objectives of the Board are spelt out as part of this working problem. One area where coordination is in great need is in regard to investment. At the moment, investments are coordinated. It is not very clear from the Bill how investments will be carried out. A supplementary point is in regard to the group insurance and superannuation schemes. Our submission is that these can be separated in the form of a separate corporation? It is better if we form a separate corporation for group insurance and superannuation schemes. In regard to the appointment of tribunals for settlement of claims, there should not be a tendency to delay settlement of claims because there is a tribunal to settle it. We presume that the surplus after determining the rate and quantum of bonus will devolve back to the Government.

SHRI MANIAR: Under section 45 after distribution of 95 percent as bonus 5 per cent will go back to the Government. After splitting up, how will the bonus be distributed? We feel that it should remain with the central office. Regarding 23(4) and 24(3) if you fail or omit, you relinquish your right. But there 'sufficient' has been omitted. These are small points. A man should not be allowed to go in multiplicity of proceedings. In clause 24 (1) it is mentioned acceptance or rejection

of the whole or in part. . . I can accept the whole or in part. But what happens to the variation factor. It is neither acceptance nor rejection. So, should it not be there in 24(1)?

SHRI BAPUSAHEB PARULEKAR: If you omit this clause and put decision of the corporation, will that be all right?

SHRI MANIAR: It is a very fair drafting.

SHRI RAMESHWAR THAKUR: What is your precise suggestion?

SHRI P.J.M. PANIKAR: It is stated here, "A decision rejecting the whole or part of the majority claim". Here you see the concept of variation. The last point is, unless the corporation of offices is there, is it the intention that territorially all the five corporations will operate in different completely territorial jurisdictions because the concept of operating offices in other areas with the approval of the Central Government is there? Would it not lead to spirit of competitiveness, spirit of achieving something? If the five Corporations have the freedom to go into other areas, would it not be a better service to individual policy-holders?

MR. CHAIRMAN: Are you putting a question to me?

SHRI P.J.M. PANIKAR: I am only making an observation. You cannot take away the paramountcy of the Central Government, but within the guidelines they should be allowed to operate.

SHRI LAL K. ADVANI: The question is that they should be permitted to complete.

SHRI P.J.M. PANIKAR: Our submission is that the spirit of competition must be encouraged.

SHRI JANARDHANA POOJARY: If the spirit of competition is to be encouraged, then separate corporations also should be allowed to give different amounts of bonus separately. But that goes contrary to what you are stating.

SHRI P. J. M. PANIKAR: After all, if the profits having regard to the competition go to the general pool, then it will

be better. I do not think these are conflicting in nature; they are mutually exclusive. what I am trying to is to get at the method. Insurance does not mean that there should be competition. For instance A starts office here and B starts office at another place. Each one at his own territory may have advantages. Competitiveness to a certain degree is very essential. But that does not mean that competition would be to the negation of bonus. Competitiveness should be in the field of operation. That means better service. Better service means more policies and more profit and if that money goes into a pool, which is a central fund, that would achieve the ends. Therefore, the fact that two people are allowed to compete does not go against the concept of national bonus under Section 45 because the funds are necessarily going to be with the pool.

MR. CHAIRMAN: You have expressed concern for the need to provide efficient service to the policy-holders in your Memorandum. What are your suggestions in this regard?

SHRI P.J.M. PANIKAR: We can submit a written note on that.

MR. CHAIRMAN: All right. Thank you very much.

(The witnesses withdrew)

VI—All India Life Insurance Employees Association, Bombay.

Spokesmen:

1. Shri R. A. Menezes.
2. Shri G. R. Kurtarkar
3. Shri R. D. D'Souza

(The witnesses were called in and they took their seats)

MR. CHAIRMAN: Before you start, I may point out that in accordance with the provisions contained in Direction 58 of the Directions by the Speaker, your evidence shall be treated as public, and is liable to be published, unless you specially desire that all or any part of the evidence given by you should be treated as confidential. Even though you might desire your evidence to be treated as confidential, such evidence is liable to be made available to the Members of Parliament.

MR. CHAIRMAN: Do you agree with this (Direction) and have you signed this?

SHRI D'SOUZA: Yes.

MR. CHAIRMAN: Do you like to add anything more than what you said in your Memorandum?

SHRI KURTARKAR: Nothing more than that.

SHRI SATISH AGARWAL: We do not want to detain you any further. If you have one or two points to make or draw our attention to any particular point, you are welcome to do so.

SHRI KURTARKAR: One point is that we are representatives of the Union. Of course the employees' fund is definitely there. And from that point of view we are particularly concerned about giving all the powers to the Central Government to regulate employees' conditions of service etc. putting a clause to that effect. The entire union will be very much affected. Of course, we are opposing this split.

SHRI SATISH AGARWAL: We will consider that point. You are generally opposed to the split. Is it not?

MR. CHAIRMAN: Is it total opposition or do you agree with some of the clauses?

SHRI KURTARKAR: It is going to defeat the objectives of nationalisation.

MR. CHAIRMAN: Thank you very much.

(The witnesses withdrew)

VII Life Insurance Employees' Congress (WZ), Rajkot

Spokesmen : z

1. Shri Madhusudan Sawant,
Gen. Secretary.

2. Shri M. G. Gohil,
Jt. Secretary.

(The witnesses were called in and they took their seats)

MR. CHAIRMAN: Before we start, I may point out to you that in accordance with the provisions contained in Direction 58 of the Directions by the Speaker, your evidence shall be treated as public, and is liable to be published, unless you specifically desire that all or any part of the evidence given by you is to be treated as confidential. Even though you might desire your evidence to be treated as confidential, such evidence is liable to be made available to the Members of Parliament.

Do you agree with the principles and objectives of the Bill ?

SHRI MADHAV GOHIL: Yes, Sir.

SHRI SATISH AGARWAL: Are you affiliated to any trade union organisation?

SHRI GOHIL: Yes, to the INTUC.

SHRI SATISH AGARWAL: Have you considered your memorandum at your zonal conference, or does it convey the views of you two?

SHRI GOHIL: We have already discussed it.

SHRI BAPUSAHEB PARULKAR: Was this a zonal discussion, or an all-India discussion?

SHRI GOHIL: It is our discussion, and our decision.

SHRI BAPUSAHEB PARULKAR: I bring clause, 63, 64 and the one relating to Service Matters Tribunal specifically to your notice,

because you are the representatives of an employees' organization. Do you agree with them totally?

SHRI GOHIL: Yes; we agree totally.

SHRI SATISH AGARWAL: Yours is an organization representing the employees of LIC. What is your total strength in the western zone?

SHRI GOHIL: Exact figures I don't have.

SHRI SATISH AGARWAL: How many are the members of the organization which you represent here?

SHRI GOHIL: We represent the members of the associations which are affiliated to INTUC.

SHRI SATISH AGARWAL: How many employees are your members?

SHRI GOHIL: 1200 in the western zone.

SHRI SATISH AGARWAL: Can you not give the total number of employees in the western zone?

SHRI GOHIL: There are other employees' organizations which are our sister unions which are not affiliated to INTUC. There are other unions.

SHRI SATISH AGARWAL: What is the percentage of employees who are with your organizations, and who are not with your organisations? Do you have a membership of about 25 per cent, or more than 20 per cent?

SHRI GOHIL: 15 per cent are with us; and the other unions are with CPI and CPI (M). They are having the majority.

SHRI SATISH AGARWAL: The membership of CITU and BMS will be more than 50 per cent.

SHRI GOHIL: What I speak is about the western zone.

MR. CHAIRMAN: Thank you very much.

(The witnesses then withdrew.)

(The Committee then adjourned)

RECORD OF EVIDENCE TENDERED BEFORE THE JOINT COMMITTEE ON THE LIFE
INSURANCE CORPORATIONS BILL, 1983

Tuesday, 22 May, 1984 from 1500 to 1640 hours in Mascot Hotel, Trivandrum.

PRESENT

Shri Mool Chand Daga—Chairman

MEMBERS

Lok Sabha

2. Shri Satish Agarwal
- 3 Shri M. Arunachalam
4. Shri Ghayoor Ali Khan
5. Shri Bapusaheb Parulekar
6. Shri Janardhana Poojary
7. Shri Ram Lal Rahi
8. Shri K. A. Rajan
9. Shri M. S. K. Sathiyendran
10. Shri Natvarsinh Solanki

Rajya Sabha

11. Shri Lal K. Advani
12. Shri Vithalrao Madhavrao Jadhav

SECRETARIAT

Shri R. S. Mani—Senior Legislative Committee Officer.

REPRESENTATIVES OF THE MINISTRY OF FINANCE (DEPTT. OF ECONOMIC AFFAIRS)
(INSURANCE DIVISION)

1. Shri R. K. Mahajan—Controller of Insurance.
2. Shri S. G. Subrahmanyam—Executive Director (Investment)
3. Shri S. K. Purkayastha—Director (Insurance)
4. Shri S. V. Narayanan—Zonal Manager, LIC, Trivandrum.

WITNESSES EXAMINED

- I. Shri M. Abubaker, Mayor,
Corporation of Trivandrum,
Trivandrum.
- II. Dr. Jacob Eapen,
Syndicate Member,
University of Kerala,
Trivandrum.

III. National Life Insurance Employees' Association, Kozhikode.

Spokesmen:

1. Shri K. Anandan Nair
2. Shri A. Bhagavatheeswaran.

I—Shri M. Abubaker,
Mayor, Corporation of Trivandrum.

(The witness was called in and he took his seat).

MR. CHAIRMAN: Before you start, I may point out that in accordance with the provisions contained in Direction 58 of the Directions by the Speaker, your evidence shall be treated as public, and is liable to be published unless you specifically desire that all or any part of the evidence given by you should be treated as confidential. Even though you might desire your evidence to be treated as confidential, such evidence is liable to be made available to the Members of Parliament.

I welcome you to this sitting of the Committee. I appreciate that you have taken keen interest in submitting your memorandum to the Committee giving your views on the Bill.

SHRI M. ABUBAKER: I am also pleased to welcome the Committee.

MR. CHAIRMAN: Are you going to say more than what you have already said in the memorandum?

SHRI M. ABUBAKER: No.

MR. CHAIRMAN: Are you supporting all the provisions of the Bill?

SHRI M. ABUBAKER: As for speaking on the Bill, to the extent I could understand the provisions of the Bill I oppose it.

MR. CHAIRMAN: We would like to recall to you the objective of the LIC when it was nationalised i.e. to spread its network and to give better service to the policy-holders. But we find that the LIC has failed in its objectives. What have you to say in this respect?

SHRI M. ABUBAKER: After nationalisation the LIC has been able to spread its business to rural areas effectively.

MR. CHAIRMAN: What is the percentage of that business?

SHRI M. ABUBAKER: The rural business may come to around 30 per cent.

MR. CHAIRMAN: So we have not achieved the object for which we have nationalised the whole business.

SHRI M. ABUBAKER: As far as I understand, the Life Insurance Corporation set up is like this. There is a Central Office, there are five zonal offices under which there are several Divisional Offices. The rural population is not attracted towards the LIC because of certain financial constraints and unless and until those financial constraints are removed, it will not be possible to expand rural business in the manner we desire.

MR. CHAIRMAN: Regarding the question of servicing the policy-holders, in the area of servicing serious deficiencies have been noticed and the number of claims pending on 31st March 1983 was as high as 1,45,000. Of these, about 30,000 claims were pending for more than one year. The amount as on 31st March is Rs. 56 crores. The number of complaints received from the policy-holders is about 8,000 and we do not know the number of complaints received by the Branch offices and Divisional Offices. So, this is the service which the Life Insurance Corporation is rendering to the people. What would you have to say? I have given the facts. Do you admit the facts or not? Whatever I have given, I have given on the basis of the latest reports. Do you agree with the figures or not?

SHRI M. ABUBAKER: I want to give my own figures. But I don't dispute about the official figures.

MR. CHAIRMAN: The Era Sezhiyan Report says. 'In spite of the business efforts were made for improving the services to the policy-holders for achieving economy which has been the primary objective.'

This is the finding of the Era Sezhiyan Committee in their Report. Do you agree with this finding?

SHRI M. ABUBAKER: I am in agreement with certain aspects of the Era Sezhiyan Committee Report. So, I agree partly with Report and I disagree partly with the Report.

MR. CHAIRMAN: Do you agree with this finding or not?

SHRI M. ABUBAKER: I do not agree with this finding.

MR. CHAIRMAN: The Era Sezhiyan Committee observed: "The Committee is convinced that the present unitary structure has been a major factor inhibiting the progress." What do you say about this?

SHRI M. ABUBAKER: As far as I understand, I find that in the provisions of the Bill there is nothing to demonstrate about decentralisation. Decentralisation, according to me, is decentralisation of real powers to the lower officers.

But the present Bill does not envisage any such sort of decentralization.

MR. CHAIRMAN: We find that your observations in your memorandum, is not supported by any of the provisions of the Bill.

SHRI M. ABUBAKER: My contentions are on the basis of my understanding of the reading of the Bill.

MR. CHAIRMAN: Can you point out clauses in support of the points you have raised in your memorandum?

SHRI M. ABUBAKER: I have constructed the memorandum on the basis of the information I have received from the general public, i.e. people connected with LIC newspapers etc. I am not saying anything further to what I have stated in the memorandum collectively, and paragraph-wise.

MR. CHAIRMAN: We will go into your memorandum again. If there are good points, we will consider them. Thank you very much.

SHRI M. ABUBAKER: Thank you.
(The witness then withdrew)

II. Dr. Jacob Eapen, Syndicate Member, University of Kerala, Trivandrum.

(The witness was called in and he took his seat).

MR. CHAIRMAN: Before we start, I may point out to you that in accordance with the provisions contained in Direction 58 of the Directions by the Speaker, your evidence shall be treated as public, and is liable to be published, unless you specifically desire that all or any part of the evidence given by you should be treated as confidential. Even though you might desire your evidence to be treated as confidential, such evidence is liable to be made available to the Members of Parliament. Have you signed this?

DR. EAPEN: Yes, Sir.

MR. CHAIRMAN: Would you like to make any general observations over and above what you have mentioned in your memorandum?

DR. EAPEN: Yes. LIC is functioning as one single unit; and the economy of scale has not gone beyond that level. Considering the economy of scale of this unit, it would be better to keep LIC as a single unit, because then it will generate many advantages for the country as a whole. I will point out a specific case. If you divide the present LIC into different corporations, the regional imbalances already existing, will get accentuated, rather than diminished, because each corporation will function at the zonal level. As a result, policy-holders in different parts of the country will enjoy different benefits. Moreover, when we talk about organization, national integration comes into the picture. It is very important.

After nationalization, LIC has done wonders because it has functioned as a single economic unit. The State Bank of India has over 6,000 branches whereas LIC has got a less number.

MR. CHAIRMAN: You have said this in your memorandum. Can you support your point regarding regions?

imbalance, and quote the clauses which will lead to an increased regional imbalance?

DR. EAPEN: It depends on the yield, and the level of efficiency of each corporation. The benefits derived from different levels of efficiency will vary. As a result, people will not benefit. If there is one unit, people in India as a whole will benefit. For example, in the eastern zone, efficiency may be low for some reasons, and the yield may be less. The premium income will be less, if efficiency is less. The eastern zone people will pay a much lesser premium compared to the people in South. The efficiency of South is definitely better. It all depends upon various reasons.

MR. CHAIRMAN: That is not the idea of the Bill.

DR. JACOB EAPEN: The Bill envisages splitting up the L.I.C. into five different Corporations.

MR. CHAIRMAN: The whole insurance amount will go to one place and you can get 95 or 97 per cent of the money.

DR. JACOB EAPEN: The point is this. We know the efficiency of the Corporation depends upon the yield. At present the yield content is 4 per cent. The yield in the eastern zone will be 5 per cent. If the premium rate is increased by 3 per cent the people will suffer as a result.

MR. CHAIRMAN: Have you any other points to make?

DR. JACOB EAPEN: Apart from what I have mentioned in the memorandum I have nothing more to add.

SHRI LAL K. ADVANI: Suppose it is ensured that the previous yield, irrespective of the efficiency of different Corporations, is the same in all cases.

DR. JACOB EAPEN: Why assume certain things?

SHRI LAL K. ADVANI: We do not assume. This can be one of the basic guidelines drawn up. Your objection

against this Bill is that the efficiency of the LIC will suffer if it is split into five corporations.

DR. JACOB EAPEN: Whatever you may assume, even if the premium rate is fixed uniformly, the efficiency of the Corporation will go down merely because of the division. As a result, the nation will suffer and the people will also suffer. That is my point.

MR. CHAIRMAN: On the other hand don't you think that if the LIC is split into five units it will serve the policy-holders better?

DR. JACOB EAPEN: I say decentralisation of the L.I.C. will not help. This is not like Zila Parishad or Panchayat. If the LIC functions as one single agency the efficiency will go up but if you divide that into five, it will go down. There is another thing about the savings rate. That also should be taken into consideration.

MR. CHAIRMAN: You know what are the complaints today in the LIC?

DR. JACOB EAPEN: That is not because of its functioning as a single unit. It all depends upon the country's situation.

MR. CHAIRMAN: Are you aware of the Era Sezhiyan Committee's findings? Have you gone through it completely?

DR. JACOB EAPEN: Yes, I have not gone through it completely.

MR. CHAIRMAN: Have you seen the report?

DR. JACOB EAPEN: I have seen the report but I have not gone through it completely. I have nothing more to add. But if the hon. Members want to ask me a question I am prepared to answer it.

SHRI SATISH AGARWAL: You are the Director of the Indian School of Social Sciences. What are its functions?

DR. JACOB EAPEN: It is purely a research body and we publish a journal. It is widely circulated in India as well as outside.

SHRI SATISH AGARWAL: You are carrying on research. In which field?

DR. JACOB EAPEN: My field of research is in Economics.

SHRI SATISH AGARWAL: Have you done any research with regard to the conditions of the policy-holders?

DR. JACOB EAPEN: No, Sir. My field of research is in planning and public finance.

SHRI SATISH AGARWAL: Since when is this Institute functioning?

DR. JACOB EAPEN: Since 1967 onwards.

SHRI SATISH AGARWAL: Since when are you a Member of the Syndicate?

DR. JACOB EAPEN: From 1980 onwards.

SHRI SATISH AGARWAL: What else is your profession?

DR. JACOB EAPEN: I am an Economist by profession and I am the Director of the Institute. This is my profession.

SHRI SATISH AGARWAL: You are firmly of the view that if the LIC functions as a single unit, it might do better.

DR. JACOB EAPEN: That is one of the reasons. If it functions as a single unit, definitely its efficiency will increase. If we are in a position to expand the activities in the rural areas, the savings will go up and the insurance policies can be made more effective or attractive to the common man.

SHRI SATISH AGARWAL: Is it your contention that by bifurcating the LIC, the administrative expenditure will go up?

DR. JACOB EAPEN: Yes, I have already mentioned this.

SHRI BAPUSAHEB PARULEKAR: Do you agree that the L.I.C., after nationalisation, has done a wonderful job in all these years?

DR. JACOB EAPEN: If you look at the results, after nationalisation, the L.I.C. have definitely done a wonderful job. There is no doubt about it.

SHRI BAPUSAHEB PARULEKAR: In 1969-70, do you know the percentage of the outstanding claims? In terms of percentage it was 35. After so many years, after the nationalisation, it has come down to 12.3 and 13.06 per cent. Don't you think it is a considerable achievement?

DR. JACOB EAPEN: Yes, Sir. It has gone down. To that extent definitely it is a considerable achievement of the L.I.C.

SHRI BAPUSAHEB PARULEKAR: Do you feel that the L.I.C.'s achievements in all these years have been good?

DR. JACOB EAPEN: Exactly.

SHRI BAPUSAHEB PARULEKAR: You come to para 1. You have said that the message of the spread of insurance into the rural areas can very well be done with the monolithic L.I.C. You are not satisfied with the splitting up of the L.I.C. into zones.

DR. JACOB EAPEN: Yes, Sir.

SHRI BAPUSAHEB PARULEKAR: You have suggested in that connection that some thrust is required to be given in that direction by the present monolithic Corporation. Will you enlighten the Committee by making suggestions as to what kind of zone you want?

DR. JACOB EAPEN: Life Insurance in the rural areas should be made more attractive by reducing the premium rate. You can have different types of policies thereby you help the people in the villages to save. As already pointed out, the yield calculated is only 4 per cent. May be the present yield may be much higher. I do not know that exactly. Take the case of UTI or any Bank where the yield is much higher. You can compensate by definitely extending into the rural areas. At present that is

not conducive for the expansion. In the case of LIC, if it is not profitable, it can close down the branch. In the case of the bank, it is not so. They can try and experiment it for one or two years. After three years, if it is a failure, then they can close down. In the case of LIC it has to be profitable. Otherwise it will have to be closed down. If they can sustain the losses for two or three years, then, it can yield good results. We may be in a position to help the village people to save more and more and help them in their saving more and more.

MR. CHAIRMAN: Don't you think that what you said just now before the Committee is contradictory to what you have stated in the memorandum?

DR. JACOB EAPEN: Not at all.

MR. CHAIRMAN: May I read out to you paragraph 1?

In paragraph I you have said that the high sums assured should be curbed in urban areas and that the savings of the rural areas should be mopped. Do you want to say something more on this point?

DR. JACOB EAPEN: Make the premium less and attractive in rural areas and do not take into consideration the yield for the present.

SHRI BAPUSAHEB PARULEKAR: You are saying that LIC should curb its activity in urban areas and increase its activities in rural areas. On what basis are you making this suggestion?

DR. JACOB EAPEN: If you slightly divert your attention towards rural areas and reduce it in urban areas for some time, that will take LIC to rural areas.

SHRI BAPUSAHEB PARULEKAR: What is the business in rural areas?

DR. JACOB EAPEN: It is very low.

SHRI BAPUSAHEB PARULEKAR: Do you not think that 32 per cent of business in rural areas is bad?

DR. JACOB EAPEN: In a country like India 32 per cent is not bad. At the same time, savings can be mopped up from rural areas.

SHRI SATISH AGARWAL: Have you in mind that in urban areas people get some benefit of income tax by taking LIC policies and that particular benefit may be passed on to the rural areas in the form of reducing the premium?

DR. JACOB EAPEN: They should get less premium not because of income-tax laws but because of in order to mop up their savings.

SHRI JANARDHANA POOJARY: According to you there is more potential in rural areas which has not been tapped properly and that splitting should not be there. If there is an element of healthy competition and if they are going to have more thrust in rural areas and more branches in rural areas, then what would be your opinion?

DR. JACOB EAPEN: I welcome it. We should open more branches in rural areas.

SHRI BAPUSAHEB PARULEKAR: According to you the potential in rural areas can be tapped even without splitting the LIC provided some thrust is given and some other devices are found out.

DR. JACOB EAPEN: Yes.

SHRI JANARDHANA POOJARY: When there are five corporations and power is given to them and there is a zeal in the employees to do more work, do you not think that efficiency will go up?

DR. JACOB EAPEN: Efficiency will go down. Shri C. D. Deshmukh, the then Finance Minister, while piloting the Bill had said that we were creating this corporation to achieve certain objectives.

MR. CHAIRMAN: He has also said that if the objectives are not achieved, then there is no hesitation in amending the Bill.

SHRI JANARDHANA POOJARY: But that is not the case here.

DR. JACOB EAPEN: But that is not the case here.

SHRI JANARDHANA POOJARY: Shri C. D. Deshmukh's point of view and subsequent Committee reports have been looked into by the Era Sezhiyan Committee.

MR. CHAIRMAN: Thank you very much.

(The witness then withdrew)

III. National Life Insurance Employees' Association, Kozhikode.

Spokesmen:

1. Shri K. Anandan Nair, Working President
2. Shri A. Bhagavateeswaran

(The witnesses were called in and they took their seats)

MR. CHAIRMAN: Before you start. I may point out that in accordance with the provisions contained in Direction 58 of the Directions by the Speaker, your evidence shall be treated as public, and is liable to be published, unless you specifically desire that all or any part of the evidence given by you should be treated as confidential. Even though you might desire your evidence to be treated as confidential, such evidence is liable to be made available to the Members of Parliament.

MR. CHAIRMAN: Have you gone through the Bill?

SHRI ANANDAN NAIR: Yes.

MR. CHAIRMAN: Do you agree with the objectives of the Bill in toto?

SHRI ANANDAN NAIR: Yes.

MR. CHAIRMAN: You have observed that even after 27 years, the LIC has been able to attract only 10 per cent of the persons eligible to take insurance. Is it correct?

SHRI ANANDAN NAIR: Yes.

MR. CHAIRMAN: Do you think that the new set up envisaged in the Bill will provide proper environment for rapid growth of business and satisfactory service to the policy-holders.

SHRI ANANDAN NAIR: Yes.

MR. CHAIRMAN: You have observed that the Central Office of the LIC is not able to effectively supervise all the offices of the LIC throughout the entire length and breadth of the country. Please elaborate.

SHRI ANANDAN NAIR: The LIC has become a very big organisation. It has become physically impossible for the Central Office to effectively supervise all the offices throughout the length and breadth of the country.

MR. CHAIRMAN: Do you think that the provisions made in the Bill giving to the new corporations primary responsibility for the intensive development of life insurance business within their assigned zones will ensure wider spread of business among the rural areas?

SHRI ANANDAN NAIR: Yes.

SHRI SATISH AGARWAL: You have mentioned in your Memorandum that LIC has failed to achieve the objectives of nationalisation such as low premium despite reduction in mortality rate, efficient service to policy-holders, opening of more offices in rural areas, wider coverage for insurance etc. The LIC has failed to achieve these objectives since the very beginning. Is it not?

SHRI ANANDAN NAIR: Yes.

SHRI SATISH AGARWAL: You have mentioned in your Memorandum that the Bill introduces much needed competition in the field of life insurance as in the banking industry and general insurance. Which is that clause whereby competition is there between five different Corporations? Will those Corporations not work on a zonal basis excepting that they can open branches with the prior approval of the Government? How there is similarity with the banking industry?

SHRI ANANDAN NAIR: If the different Corporations can open offices in other territories, that means there is competition just like in the case of banks.

★ **SHRI SATISH AGARWAL:** Any nationalised bank can open any branch anywhere in the country. There is no restriction. So far as these five Corporations are concerned, primarily they are to function within their zones. If they want to open an office outside their zone, they will have to seek the permission of the Government. So, the similarity of these organisations functioning on the basis of the banking industry is not correct because they will not be free to open branches anywhere they like except with the prior permission of the Central Government. These five Corporations have to operate within their five zones primarily.

★ **SHRI ANANDAN NAIR:** My submission is that the Government should give general permission to all the different Corporations to open branch offices.

SHRI SATISH AGARWAL: Should I take it that you are for all these five Corporations to have an all-India operation?

SHRI ANANDAN NAIR: Yes.

SHRI SATISH AGARWAL: You don't agree with this proposal in the Bill that these five Corporations should restrict their area of activity to these five zones. Is it not?

▲ **SHRI ANANDAN NAIR:** In the beginning, to avoid some organisational problems it has been envisaged like that. Primarily the idea is to have five all-India Corporations.

SHRI SATISH AGARWAL: Which is that clause in the Bill that they will operate throughout the country?

SHRI ANANDAN NAIR: If you can open offices in each other's territory with the Government's approval, it amounts to that.

▲ **SHRI SATISH AGARWAL:** As per the provisions of this Bill, these Cor-

porations will operate within their zones. They can't open branches without the prior permission of the Central Government. The question is whether as a rule they should be permitted to open offices throughout the country.

SHRI ANANDAN NAIR: My view is that if the objective of the reorganisation of LIC is achieved, this competition should be introduced.

SHRI SATISH AGARWAL: That is, all these five Corporations should be permitted to operate on an all-India basis without any restriction. Is it not?

SHRI ANANDAN NAIR: Yes.

SHRI SATISH AGARWAL: Which Union your Association is associated with?

SHRI ANANDAN NAIR: INTUC.

SHRI SATISH AGARWAL: It is affiliated to all-India National Insurance Federation. You do not have any organisation at the State level.

SHRI ANANDAN NAIR: No.

SHRI SATISH AGARWAL: How many members are there in your Association?

SHRI ANANDAN NAIR: About 100 members are there.

SHRI SATISH AGARWAL: In this District or in the whole State?

SHRI ANANDAN NAIR: In this Division.

SHRI SATISH AGARWAL: What is the total number of employees in this Division?

SHRI ANANDAN NAIR: 750.

SHRI SATISH AGARWAL: Out of 750, you have roughly 100 members in your Association. What are the other Associations?

SHRI ANANDAN NAIR: There are two other Associations.

MR. CHAIRMAN: Your Association has the greater number of members than other Associations. Is it correct?

SHRI ANANDAN NAIR: No.

SHRI K. A. RAJAN: What is your view regarding clause 68 of the Bill?

SHRI ANANDAN NAIR: I would like to submit that even now as per the LIC (Amendment) Act, 1981 this is the position. This clause does not bring in any new situation. It is already existing in LIC.

SHRI LAL K. ADVANI: In respect of this particular Bill that is before us, you had submitted your Memorandum. Has there been any body in your Association to consider this basic issue of monopoly Vs. competition? Because, this is an issue which keeps cropping up that monopoly breeds certain elements. Here you seem to suggest something which goes beyond the purview of the Bill, that you contemplate five Corporations functioning in the whole country as competitive LIC organisations. I would like to know whether this matter has been considered by your body any time earlier? We introduce the elements of competition in a public sector undertaking, in order to eliminate those of monopoly. This principle will have to be applied at many places, e.g. in Indian Airlines.

SHRI ANANDAN NAIR: But there are certain conditions preceding this proposal. LIC has become a very big organisation. In 1956, we had much less number of policies, and the business in force was only about Rs. 1,000 crores. Now it has exceeded Rs. 30,000 crores.

SHRI LAL K. ADVANI: Do you say that if there are other big organizations, they should also be split up?

SHRI ANANDAN NAIR: Yes.

SHRI BAPUSAHEB PARULEKAR: Your main reason for supporting the split of LIC is that it has become very big and that no satisfactory service is being given to policy-holders.

SHRI ANANDAN NAIR: It is the main reason. But the other is that LIC has failed to achieve its objectives.

SHRI BAPUSAHEB PARULEKAR: Have you gone through the information given in the Era Sezhiyan Committee report about the survey made among policy-holders?

SHRI ANANDAN NAIR: No.

SHRI BAPUSAHEB PARULEKAR: The Committee says that on the basis of the survey conducted, 75 per cent of the policy-holders did not complain of inordinate delay in the sanctioning of loans; and that 44.4 per cent were satisfied about prompt payment. In such a huge organization, don't you think that this ratio is creditable? There is no serious complaint from policy-holders, as we find it from the Era Sezhiyan Committee's report. Do you still think that LIC has grown big, and so it is not in a position to serve the policy-holders well?

SHRI ANANDAN NAIR: Whatever be the statistics, the fact remains that the policy-holders are not getting satisfactory service. I am saying this from my own experience obtained from people coming to my office; but I am not able to give the percentage of people who are not satisfied.

SHRI BAPUSAHEB PARULEKAR: The overall expense ratio, and the renewal expense ratio have come down considerably after nationalization; and this is an achievement. But you say that LIC is huge, and unmanageable.

SHRI ANANDAN NAIR: For the last three years, the ratio has come down because. .? .

SHRI BAPUSAHEB PARULEKAR: I do not want the reason.

SHRI JANARDHANA POOJORY: If he knows the reason, let him give it.

SHRI BAPUSAHEB PARULEKAR: I am not asking him not to give it but Mr. Chairman, if you want people to give the reasons only in favour of the Bill, it is a different matter.

MR. CHAIRMAN: No.

SHRI ANANDAN NAIR: The renewal expense ratio has gone down because so many payments to employees, including bonus has not been paid for the last 2 or 3 years. It has been drastically reduced. Similarly, there are ceilings on DA and other things. These have contributed to this reduction in the renewal expense ratio.

SHRI BAPUSAHEB PARULEKAR: So, should bonus not be paid according to you.

SHRI ANANDAN NAIR: Bonus should be paid.

SHRI BAPUSAHEB PARULEKAR: You say you support all the clauses of the Bill. Do you support what is stated in page 31, in the First Schedule, paragraph (3) (1) (a)? If somebody from Kerala is at present posted in Shillong immediately after the zonal corporation come into being, he has no option but to continue as an employee of that corporation.

SHRI ANANDAN NAIR: One-time choice is there.

SHRI BAPUSAHEB PARULEKAR: The choice is to quit. Please read cl.4.

SHRI ANANDAN NAIR: I am sorry; it is for the policy-holders; for them there is an option.

SHRI BAPUSAHEB PARULEKAR: I am talking about employees who are not getting bonus at all. Do you agree with this provision in the Bill?

SHRI ANANDAN NAIR: Before the actual split come about, those employees can be transferred.

SHRI BAPUSAHEB PARULEKAR: There is no provision; the only provision is to give notice and quit.

SHRI ANANDAN NAIR: It can be arranged. My answer to the question is: I agree, generally, with all the clauses.

SHRI BAPUSAHEB PARULEKAR: Now about clause 68. Do you want the Industrial Disputes Act not to be made applicable to LIC employees?

SHRI ANANDAN NAIR: This is the position in LIC after the 1981 LIC (Amendment) Act. This position continues.

SHRI BAPUSAHEB PARULEKAR: We want to give "statutory effect to this. You were referring to the Supreme Court judgment. Tell me whether you agree with the principles enunciated in this Bill, namely, that the remedy available under the Industrial Disputes Act and other similar Acts should not be made available to the employees of the Life Insurance Corporation. You are to state the position on behalf of your organisation. Be clear about it. Do you want this clause?

SHRI ANANDAN NAIR: No, Sir. This has been done with some other purpose. You know the history of L.I.C. nationalisation

SHRI BAPUSAHEB PARULEKAR: I do not want to know that. I want to know whether you want the benefits of this Act to be extended to the employees of the new Corporations or not.

SHRI ANANDAN NAIR: This has nothing to do with the reorganisation under the Bill. The same thing which was prevailing before is continuing even now.

SHRI BAPUSAHEB PARULEKAR: You want this to be continued.

SHRI ANANDAN NAIR: We would like this to be removed.

SHRI BAPUSAHEB PARULEKAR: All right. What have you got to say about clause 64?

According to this the employees will not take active part in politics. Do you agree with this?

SHRI ANANDAN NAIR: We do not agree with this clause.

SHRI BAPUSAHEB PARULE-KAR: As regards Service matters Tribunals, at present you have the right to go to the civil court for any injustice done. That right is now being taken out by this Bill.

SHRI ANANDAN NAIR: My understanding of it is that the employees can approach the Service Tribunals and if they decide against them, then they can approach the court.

SHRI BAPUSAHEB PARULE-KAR: Please refer to Clause 55. I follow what you want to say. This clause says:

"No civil court shall have jurisdiction to entertain any suit or other legal proceeding or to adjudicate upon any matter which a Service Matters Tribunal is empowered by this Act to adjudicate upon".

Now you have the right to go to the civil court. And then you can go to the Supreme Court. But, that right is now being taken away. You have necessarily to go to the civil court. I am very clear on this.

MR. CHAIRMAN: That right has not been taken away. He can go to the civil court and nobody debars him.

SHRI BAPUSAHEB PARULE-KAR: Let me make the position clear, there are two tribunals one is the Claims Tribunal and the other is the Service Matters Tribunal. You refer to Clause 24 (4) of the Bill. Let me read it out:

"Any person referred to in sub-section (1) may, instead of making an application to a Claims Tribunal under sub-section (1), institute a suit or commence any other legal proceeding in a civil court having jurisdiction for the recovery of any amount due in respect of a maturity claim or death claim under any policy

of life insurance or for any other relief in relation to such claim, and where any such suit or other legal proceeding is instituted or commenced, no Claims Tribunal shall have jurisdiction to entertain any application in relation to which such suit or other legal proceeding has been instituted or commenced, unless such suit or other legal proceeding is withdrawn, within the period specified in sub-section (3), by the person by whom it was instituted or commenced or, if he has died before the expiry of the said period, by his legal representative."

So, as far as the policy holders are concerned, they have a great right either to go to the Claims Tribunal or to go to the Court of Law. But, as far as the Service Tribunals are concerned, similar provision is not there. On the other hand clause 55 debars an employee to go to a court of law by way of suit or by way of an appeal. The provision made is that he can move the Court. In spite of the constitutional right having been granted to the policyholders, this additional right is given under sub-clause (4) of Clause 24. That right is not made available to the employees. Don't you think that even if the tribunals are established, the right of the employee to approach the ordinary civil court—writ—is affected is not correct. The people also should be given the right to go to the civil court to remove their grievance.

SHRI ANANDAN NAIR. My opinion is that in the Service Tribunal matters it is always better to approach them instead of going to the civil court. If the decision of the tribunal is against him, he can approach the court.

SHRI BAPUSAHEB PARULE-KAR: You are satisfied with the,

remedy of writ that is given under the Act.

SHRI ANANDAN NAIR: Yes, Sir.

श्री राम लाल राही : आपने कहा है कि एल आई सी का जो पुराना अधिनियम है उसके अन्तर्गत जीवन बीमा नियम ने बहुत अच्छा काम नहीं किया है, जीवन बीमा निगम ग्रामीण इलाकों तक नहीं पहुँच सका है और इसीलिए आपने प्रस्तुत विधेयक को सपोर्ट किया है। मैं आपसे एक बात जानना चाहूँगा आपने इस बिल के उद्देश्यों और कारणों को देखा होगा। इस विधेयक के अन्तर्गत पाँच स्वायत्तशासी इकाइयों की संरचना का विधान बनाया जा रहा है। इस पुनर्गठन से यह आशा भी की जाती है कि जीवन बीमा के कार्य में गतिशीलता आयेगी, पालिसीधारकों की सुविधाएँ बढ़ेंगी और क्वालिटी में भी सुधार होगा। लेकिन इस बिल के किसी चैप्टर या किसी खण्ड को देखने से ऐसा आभास नहीं होता कि क्वालिटी में सुधार आयेगा। आपने भी इस बिल को पढ़ा होगा इसलिए मैं आपसे जानना चाहता हूँ कि किस प्रकार इस बात को मान लिया जाए कि इसके काम की क्वालिटी में सुधार होगा, पालिसीधारक को भी जाने वाली सुविधाओं में सुधार होगा या निगम के कार्य में विकास होगा?

SHRI ANANDAN NAIR. My submission is you are making the LIC into some manageable units.

If you can manage it well, that means the efficiency of the servicing to policyholders can be improved. It was only as a result of some action.

श्री राम लाल राही : दूसरी बात यह है कि फिर इस बात को क्यों न मान लिया जाए कि जो पुराना अधिनियम है उसी में कुछ ऐसे संशोधन कर दिए जायें जिससे कि जीवन बीमा निगम के कार्यों का ज्यादा फंदाव गति के क्षेत्रों में भी हो सके और साथ ही एफिशिएन्सी और क्वालिटी में सुधार आ सके—इस बारे में आपकी क्या राय है?

SHRI ANANDAN NAIR: LIC has become so much big that it has become unmanageable. If you re-organise it into manageable units, all these objectives can be achieved.

श्री राम लाल राही : उदाहरण के लिए स्टेट बैंक है या और जो पब्लिक सेक्टर में कई उद्योग हैं जो काफी बड़े हैं, उनका काफी विस्तार है, हजारों की तादाद में कर्मचारी उनमें काम करते हैं लेकिन उनकी एफिशिएन्सी में तो कमी नहीं आई है।

SHRI ANANDAN NAIR: There are two points. Besides State Bank of India, there are 20 nationalised banks and many other private banks. So, there is an element of competition. You cannot become inefficient. In LIC it is not like that. It is a question of monopoly. Moreover, in State Bank of India many of the powers have been decentralised to the divisional level.

श्री राम लाल राही : इस बात को कैसे मान लिया जाए कि विभाजन कर देने से मानोपोली समाप्त हो जायेगी जब कि काम करने वाले कर्मचारी वही रहेंगे और

उसी प्रकार से वे अपना काम करते रहेंगे ?

SHRI ANANDAN NAIR: Monopoly in the sense that it is owned by the Government. Otherwise, monopoly will end. If there are five corporations, we cannot say that there will not be competition.

SHRI JANARDHANA POOJARY: In the existing system the officers are transferred from one zone to another. Some people who were working in the southern zone had been transferred to the northern zone.

SHRI ANANDAN NAIR: Yes.

SHRI JANARDHANA POOJARY: Likewise, if a person wants to stay in the northern or any other zone, such persons are allowed to continue for years together.

SHRI ANANDAN NAIR: Yes.

SHRI JANARDHANA POOJARY: By having this provision that they cannot be transferred, do you think that there is a bar as such that they cannot be transferred?

SHRI ANANDAN NAIR: No.

SHRI JANARDHANA POOJARY: The fact is that the people are not moving to the rural areas and there

is lot of resistance. And according to you there will be more benefit to the employees and better service would be given to the policy-holders because close monitoring will be there.

SHRI ANANDAN NAIR: Yes.

SHRI JANARDHANA POOJARY: So far as service conditions are concerned, rights under the Industrial Disputes Act have been taken through the judgment of the Supreme Court and those restrictions have been put in the Bill.

SHRI ANANDAN NAIR: Yes.

SHRI SATISH AGARWAL: Is it a fact that this is a very major decision so far as LIC is concerned?

SHRI ANANDAN NAIR: Yes.

SHRI SATISH AGARWAL: Is it a fact that INTUC has not taken a formal decision on all India basis?

SHRI ANANDAN NAIR: It has taken.

SHRI SATISH AGARWAL: Can you send a copy of that?

SHRI ANANDAN NAIR: Yes.

MR. CHAIRMAN: Thank you very much.

(The witness then withdrew)

(The Committee then adjourned.)

**RECORD OF EVIDENCE TENDERED BEFORE THE JOINT COMMITTEE ON THE LIFE
INSURANCE CORPORATIONS BILL, 1983**

Wednesday, 23 May, 1984 from 1000 to 1200 hours in Mascot Hotel, Trivandrum.

PRESENT

Shri Mool Chand Daga—Chairman

MEMBERS

Lok Sabha

2. Shri Satish Agarwal
3. Shri M. Arunachalam
4. Shri Ghayoor Ali Khan
5. Shri Bapusaheb Parulekar
6. Shri Janardhana Poojary
7. Shri Ram Lal Rahi
8. Shri K. A. Rajan
9. Shri M. S. K. Sathiyendran
10. Shri Natvarsinh Solanki

Rajya Sabha

11. Shri Lal K. Advani
12. Shri Vithalrao Madhavrao Jadhav.

SECRETARIAT

Shri R. S. Mani—Senior Legislative Committee Officer.

**REPRESENTATIVES OF THE MINISTRY OF FINANCE (DEPT. OF ECONOMIC AFFAIRS)
(INSURANCE DIVISION)**

1. Shri R. K. Mahajan—Controller of Insurance.
2. Shri S. G. Subramanyan—Executive Director (Insurance).
3. Shri S. K. Purkayastha—Director (Insurance).
4. Shri S. V. Narayanan—Zonal Manager, LIC, Trivandrum.

WITNESSES EXAMINED

I. Government of Kerala, Trivandrum:

Spokesmen:

1. Shri M. P. Ramakrishnan Nair,
Director of Insurance Deptt.
2. Shri A. G. Zachariah, Joint Secretary,
Finance Department.

**II Federation of the Life Insurance Corporation of India, Class I Officers
Association, Calicut.**

Spokesmen:

1. Shri G. N. Sridharan,
General Secretary.
2. Shri Dharmendra Kumar
3. Shri R. Rajagopalan

III National Life Insurance Employees' Association, Trivandrum.

Spokesmen:

1. Shri V. Indusekharan Nair,
Working President.
2. Shri K. Gopalakrishnan Nanpiar
3. Shri P. K. Ninan.

1—Government of Kerala, Trivandrum.

Spokesmen:

1. Shri M. P. Ramakrishnan Nair, Director of State Insurance.
2. Shri A. G. Zachariah, Joint Secretary, Department of Finance.

(The witnesses were called in and they took their seats)

MR. CHAIRMAN: Before you start, I may point out to you that in accordance with the provisions contained in Direction 58 of the Directions by the Speaker, your evidence shall be treated as public and is liable to be published unless you specifically desire that all or any part of the evidence given by you should be treated as confidential. Even though you may desire your evidence to be treated as confidential, such evidence is liable to be made available to the Members of Parliament.

You have submitted a very good Memorandum to the Committee. So, I think you agree with the objects of the Bill.

SHRI RAMAKRISHNAN: Of course.

MR. CHAIRMAN: Do you agree in toto?

SHRI RAMAKRISHNAN: Yes, in toto.

MR. CHAIRMAN: You have pointed out two clauses,—clauses 6 and 16. First, you see clause 6 which says:

"Each Corporation shall consist of such number of members, not exceeding sixteen, as the Central Government may think fit to appoint thereto, and one of them shall be appointed by the Central Government to be the Chairman thereof."

So, a Corporation can have sixteen members. The LIC is split up into five Corporations. Your State comes as a Southern Life Insurance Corporation. It consists of how many Sta-

tes? Did you go through this Schedule?

SHRI RAMAKRISHNAN NAIR: Yes, Kerala, Karnataka, Tamil Nadu and Andhra Pradesh.

MR. CHAIRMAN: On page 37 you find that Tamil Nadu, Kerala, Andhra Pradesh and Karnataka. I think your point can be considered because this Southern Corporation shall consist of four States—Tamil Nadu, Kerala, Andhra and Karnataka. The second point which you have raised in your Memorandum was about the zonal office. This will have 16 members and it should include Trivandrum and Kozikode.

SHRI RAMAKRISHNAN NAIR: In addition, Cochin.

MR. CHAIRMAN: Clause 11(2) says:

"Each Corporation may establish as many Divisional Offices, Branches and other offices within the Zone specified against its name in the Second Schedule as it may think fit."

So, it is for them to decide. Each Corporation can decide it. I think Government will take note of these two points. We will certainly consider these points. The Kerala Government is more active so far as this Bill is concerned and they want their representative in the Board.

Do you like to say anything more?

SHRI RAMAKRISHNAN NAIR: Nothing more.

MR. CHAIRMAN: Thank you very much.

SHRI SATISH AGARWAL: Mr. Nair, you have submitted a Memorandum on behalf of the Finance Secretary to the Government of Kerala to this Committee. Are you dissatisfied with the present functioning and working of the LIC in your State?

SHRI RAMAKRISHNAN NAIR: The present functioning has no room for any dissatisfaction. But if it can

be decentralised, I think the Administration will be more efficient and effective. There can be more control and other activities will be easier.

SHRI SATISH AGARWAL: Are you aware that even now powers have been decentralised to the zonal office functioning at Madras?

SHRI RAMAKRISHNAN NAIR: I do not know to what extent it has been done.

SHRI SATISH AGARWAL: Has the Ministry of Finance of your State Government come to the conclusion that the present Bill is welcome?

SHRI A. G. ZACHARIAH: We have examined it, and we feel it is desirable.

SHRI SATISH AGARWAL: Do you have any State insurance scheme?

SHRI RAMAKRISHNAN NAIR: We have one here. It is only applicable to Government servants, not to those of public undertakings, zilla parishads, corporations, etc. In the case of non-Government servants, we have asked for permission from Government of India for this purpose. We wanted to extend to semi-Government employees, and employees getting their salaries from Government, i.e. other than regular Government employees.

SHRI BAPUSAHEB PARULEKAR: The major thrust of criticism against the present LIC is that the premium is too high, and the bonus is too low. Do you think that through this Bill, we can achieve any progress in this regard?

SHRI RAMAKRISHNAN NAIR: Bringing down the rate of premium can be considered on an all-India basis, and not on a zonal basis. The mortality rate has to be considered on an all-India basis. They can try to do more business and make profit otherwise, so that more bonus can be given to employees and to policyholders.

SHRI BAPUSAHEB PARULEKAR: Please see clause 9(4). This, read with clause 20(2)(a) to (g) would show that all decisions are to be taken by Government, and the object of decentralization would be totally frustrated, with these two clauses.

MR. CHAIRMAN: The witnesses have given their support to the Bill.

SHRI JANARDHANA POOJARY: Do you know that there are talukas in India where there are no LIC offices, and that business has not reached rural areas?

SHRI RAMAKRISHNAN NAIR: Yes.

SHRI JANARDHANA POOJARY: Against the lives of people living in the rural areas and those belonging to SC and other weaker sections also, there should be some insurance cover. If a man from these sections dies, there should be some cover for his family. Similarly, if insurance reaches the weaker sections, it will be better. So far as LIC is concerned, we have remote supervision and monitoring. There can be a corporation in each zone, and thereby there can be intensive and better business.

SHRI RAMAKRISHNAN NAIR: We agree.

SHRI JANARDHANA POOJARY: Bonus is not the only criterion. Coverage of the lives of people belonging to the weaker sections should be there. This is the objective of the Bill. Things would be better that way.

To achieve this objective, if there are five independent corporations, there will be cohesiveness, and well-spread branch infrastructure; and staff can be trained better. More attention can be given by each corporation to the policy-holders. Professionalized field force can be there, as also a satisfactory system of control. Do you agree?

SHRI RAMAKRISHNAN NAIR: I agree.

MR. CHAIRMAN: The witnesses have clearly said in their memorandum that they totally agree with the objectives of the Bill.

SHRI SATISH AGARWAL: In view of this, no further cross-examination is necessary.

SHRI RAMAKRISHNAN NAIR: The Minister spoke about rural areas and SCs. It is better to give more incentive to the development officers. There can be some reduction in premia for SCs and STs.

MR. CHAIRMAN: Thank you.

(The witnesses then withdrew)

II. Federation of Life Insurance Corporation of India Class I Officers' Association, Calicut.

Spokesmen:

1. Shri G. N. Sridharan, General Secretary.
2. Shri Dharmendra Kumar, Assistant Secretary.
3. Shri R. Rajagopalan.

(The witnesses were called in and they took their seats)

MR. CHAIRMAN: Will you kindly introduce yourselves to the Committee?

(Shri Sridharan then introduced himself and his colleagues to the Committee.)

Before we start, I may point it out to you that in accordance with the provisions contained in Direction No. 58 of the Directions of the Speaker, your evidence shall be treated as public and is liable to be published unless you specifically desire that all or any part of the evidence given by you should be treated as confidential. Even though you might desire your evidence to be treated as confidential, such evidence is liable to be made available to Members of Parliament.

You have already signed this.

SHRI RAJAGOPALAN: Yes, Sir.

MR. CHAIRMAN: You know the objectives of the Bill. Do you agree with them?

SHRI G. N. SRIDHARAN: We agree with the objectives of the Bill.

MR. CHAIRMAN: I now want to point out to you that these are the objectives of the Bill for which it has been introduced in Parliament. They are:

1. The L.I.C. has grown considerably in size;
2. In the interest of operational efficiency;
3. Strengthen the industry's ability to face the challenges of the future;
4. To restructure as more manageable units;
5. More efficient spread of life insurance in rural areas;
6. Competitive working of the industry to improve the quality of service to the policy-holders.

So, you agree with these objectives. Now, will these objectives be achieved or not by splitting up the L.I.C. into five Corporations?

SHRI G. N. SRIDHARAN: We believe that these objectives can be achieved by keeping the present set-up also—not by splitting up into five corporations alone.

We have mentioned this in detail in our memorandum as to how this can be brought about.

MR. CHAIRMAN: Have you gone through the Era Sezhiyan Committee Report?

SHRI G. N. SRIDHARAN: Yes, Sir.

MR. CHAIRMAN: Do you know the findings of that report?

SHRI DHARMENDRA KUMAR: They have recommended to pursue

the policy of decentralisation of the servicing functions of the branches. They have also suggested that by setting up more and more of servicing centres in the rural areas, more offices can be immediately started. They said that for the working efficiency, mechanisation should be initiated by introducing micro-process units or mini-computers. They have also said that, in the interest of policy-holders, for the non-incometax paying policy-holders, adequate plan should be there. We, as the organisation, in the interest of efficiency and economy, certainly have to institute some machinery. We have to make it a more effective one and see to it that it succeeds in its operation more efficiently and more economically too. Ultimately, the benefactor will be the public for whom we are serving.

MR. CHAIRMAN: So, you agree with the findings of this Committee.

SHRI DHARMENDRA KUMAR: Yes, Sir, we agree with them.

MR. CHAIRMAN: Let me read out the same to you for refreshing your memory. I quote:

"1. In spite of large growth and its business efforts made for improving the service to policy-holders and achieving economy in the management, the L.I.C. has not been able to fulfil most of its primary objectives.

2. The Committee is convinced that the present unitary structure has been the major factor inhibiting the growth."

These are some of the major considerations which have led the Committee to its conclusions. These are the first part of the recommendations. In the light of the general considerations contained in para 22, the Committee has come to the conclusion that it is desirable to split up the L.I.C. into five separate Corporations. Is that correct?

SHRI DHARMENDRA KUMAR: That is true.

MR. CHAIRMAN: So, you are in agreement with the findings of this Committee. That Committee has given its findings in September 1980. It was set up in the year 1979. After consideration by Parliament, the Finance Minister introduced the Bill based on the recommendations of the Era Sezhiyan Committee Report. Do you agree with them in toto?

SHRI DHARMENDRA KUMAR: We would like to offer a few points.

MR. CHAIRMAN: I put it to you whether you agree with the findings of this report in toto or not.

SHRI BAPUSAHEB PARULEKAR: Can't he explain it?

MR. CHAIRMAN: Let him do it.

SHRI DHARMENDRA KUMAR: What we wish to submit is that the question of life insurance reorganisation, unitary set up or federal set up was started right from the birth of the L.I.C. If we go through the records of the earlier Parliamentary Committees and, if we take into account the reports of the Estimates Committee of 1960-61 as also the report of the Public Undertakings Committee of 1964-65 as also the A.R.C. and the Morarka Committee report, and analyse them, all of them have actually dwelt on this particular subject as to whether the L.I.C. should be a unitary set up or it should be split into more than one corporation. If we rely primarily on the deduction of the Era Sezhiyan Committee Report i.e. that the L.I.C. has become unmanageable and efficiency has gone down, my submission is that before taking any decision on this subject, proper review may be made of the findings of earlier committees too. The Morarka Committee and A.R.C. have very strongly put forward their views against the split. We, as a class, are certainly going to be the beneficiary of this split. But that is not the issue. The issue is whether this re-organisation is going to help us. If that is not so, what are the other prospects? Our considered view is that the binding of the Era Sezhiyan Committee is not logical in the sense

that they have talked of so many things and they have suddenly come to the conclusion on splitting. We are not agreeable with it. So far as the diagnosis of the problem is concerned, we agree with the Committee's report.

MR. CHAIRMAN: I appreciate that you have examined it thoroughly and you have gone through all the reports. Do you want to say something more on this?

SHRI R. RAJAGOPALAN: With regard to the laudable object we are also in agreement with it, because all along the performance of the L.I.C. was judged by the new business inflow. As our business exists today, our business is concentrated in urban areas. There are neither specific targets nor any other measures to evaluate the performance of the officials in terms of growth of insurance in rural areas. This has been the bane of L.I.C. With all said and done, L.I.C. has also penetrated into rural areas. 34 per cent of our business comes from rural areas.

MR. CHAIRMAN: Are you satisfied with the performance of the L.I.C.?

SHRI R. RAJAGOPALAN: Certainly not. There is a lot of scope for improvement.

MR. CHAIRMAN: What are the concrete suggestions you want to give?

SHRI R. RAJAGOPALAN: I want to suggest that the primary objective of the Bill is to spread the business to rural areas. This could be achieved without splitting the LIC. Rural insurance could be subsidised to a certain extent. Two other Corporations can be created i.e. Rural Insurance Corporation and Group Insurance Corporation. And some part of the surplus could be given as subsidy to these corporations. Rural zones should have experts because their needs are different. If you want to have healthy competition, there is no point of splitting the Corporation. That can be achieved through other methods.

MR. CHAIRMAN: Clause 11(2) says that each Corporation may establish as

many divisional branches as it may think fit. That means all that five corporations can have more officers and there will be better opportunity for them. The policy-holders will come into contact with the employees in a better manner. After all, it is decentralisation of powers. I have gone through each line of your memorandum. You have done a great labour. We will watch the interest of the officers and the staff. So, we must take care of this. That is true. But what I want is that we must see that the policy-holders from whom we stand as sureties we must discharge our duties sincerely and faithfully. The first duty of the officers is to serve the people at large and the weaker sections in particular. So, you will kindly agree that we must look to their interests. Do you agree?

SHRI R. RAJAGOPALAN: Though the split up will increase prospects of promotion or advance in careers of officers, yet it will not satisfy because our masters are policy-holders and their interests must be served. The rural population must be taken into account. In that light we apprehended that the splitting up of the Corporation is not the panacea. The cure is developing healthy competition. It cannot happen between five different Corporations for the simple reason that the men are the same, their cultural background is the same. Even now we are having 42 divisions. There is competition between them. In fact, if you analyse all these things, you will appreciate it. Our submission is, here we have the same men, we are putting them in five different parts and we have all along been facing competition for the last 27 years, this is not going to change unless the objective of each Corporation differs. Even in the unitary Corporation we can say that so much business should be from the rural areas etc. In LIC so far we have neither followed the banking pattern nor have we followed any other pattern.

MR. CHAIRMAN: About the last point which you have mentioned in your Memorandum, you have suggested that the statutory safeguards should be provided to avoid frustration to all the officers. What safeguards do you have in view?

SHRI RAJAGOPALAN: Unlike the Class III employees we do not have protection of any comprehensive legislation like the Industrial Disputes Act. We are outside its purview. Our functioning has become very complex. To seek redressal of our grievances, if such a machinery is available to us legally, it will help us to solve our problem. If I have to be thinking about my dearness allowance etc. all the time, how can you expect me to give my best to the Corporation? This is the situation the LIC officers are faced today. So we want that some sort of machinery should be there so that our problems can be solved. It will help us to develop ourselves better and give our best service to the Corporation. As it is we are now going to the Management, our Management is not able to do anything. Government has to be approached for this. With all this process our frustration and our grievances will continue and it will put a limitation on our efficiency.

MR. CHAIRMAN: Have you gone through the judgment of the Supreme Court?

SHRI DHARMENDRA KUMAR: Yes, Sir.

MR. CHAIRMAN: Do you agree with the Judgement?

SHRI DHARMENDRA KUMAR: Of course, naturally because it is given by the highest Court.

If you kindly permit me to supplement what my friend said. I will again like to revert back to the objectives set by the Government in introducing this Bill.

MR. CHAIRMAN: At present you want that certain things should be done by the Department for officers.

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SHRI DHARMENDRA KUMAR: Our first objective is that there should be something better service for policy-holders. The objective says about meeting the challenges of the future and to restructure the existing LIC into more manageable units. But I am surprised that in the Finance Minister's Memorandum a paragraph has been put that it is expected by this process that it will result in more business in rural areas where only a limited headway has been made. It is admitted that we have done rural penetration. The reason is not that we do not have the desire to do it. The first objective of the Corporation was the spread of business throughout the length and breadth of the country and insure every insurable person. That laudable objective is before us, but there is a certain constraint and that constraint is about expenses, and the rural operations cost much more than the expenses in the urban set up. Our experience with the banks also reveal that more and more concentration is on procuring business in the urban set up. I think my statement can be confusing, but I would just like to clarify. From 1969 onwards in the nationalised banks we have 43,000 bank branches and the ratio of rural and semi-urban set up branches is about 73 per cent. As against that, the rural business deposit-wise and the number of accounts-wise has only gone up from 11 per cent to 13 per cent. The number of officers have increased to 73 per cent and the rural business in banking sector is going up from 11 per cent to 13 per cent. Obviously there are some difficulties. It may be that ours is a poor country and people living in villages are not able to cope up with the cost of living. In insurance also this problem comes. Insurance is not the first priority of anybody. The first priority is to feed himself. In a country where the per capita income is so low and our premium rates are high, can we expect that we can insure everybody? The question is that we should have cheaper insurance. Insurance provides benefits of tax relief and therefore, the Government is

giving these relaxations. But for an ordinary man the burden of premium on him is too heavy and he does not go for insurance. In respect of national savings, our contribution is about 4 per cent, when the total contribution of the savings media is 20 per cent of the total national economic operations. But the insurance ratio is very little. The first reason probably is that we have not succeeded in making our premium rates lower, so that everybody can purchase insurance easily. Secondly, insurance has not attracted people much because the dividend from it is not attractive enough. And we have the policy of captive investment.

SHRI SATISH AGARWAL: It will be there, if there is a monopoly, i.e. no competition.

SHRI DHARMENDRA KUMAR: You have put it correctly. But if the slogan is 'Small is Beautiful', the monolith is to be transformed into a well co-ordinated assembly of lively semi-autonomous units each with its own drive and sense of achievement. There should be well-coordinated units. Not only financial powers are to be given to lower units, but administrative powers are also to be given to them, so that they can independently function. This will help convert this monolithic structure into a more viable unit. That is our belief. We are not opposed to this Bill without any reason. We say there are alternatives.

We are talking about monolithic nature and unmanageability. LIC does not have even 1,000 branches in India, whereas the smallest bank has got 1200 branches; and the biggest bank has 6,000 branches. If size is the problem of LIC, then definitely this looks ridiculous.

SHRI SATISH AGARWAL: But it does not mean that they are manageable or efficient. Government may bring forward a Bill for splitting LIC for these reasons.

SHRI DHARMENDRA KUMAR: About manageability, I would like

to give reasons. About efficiency, from the statutory norm of 15 per cent we have been able to bring it down to less than 10 per cent. It shows that LIC is managing the show efficiently. I know our deficiencies and difficulties.

MR. CHAIRMAN: What is the number of claims pending to-day?

SHRI DHARMENDRA KUMAR: In 1982-83, claims outstanding constituted 13.9 per cent.

MR. CHAIRMAN: This figure does not include complaints lodged in branch and divisional offices. What is the number of policies lapsing?

SHRI DHARMENDRA KUMAR: I can give the figures.

MR. CHAIRMAN. According to the latest report i.e. of 1982-83, as of March 1983, 30,000 claims were pending for more than a year.

SHRI DHARMENDRA KUMAR: This constitutes 13.9 per cent of the total number. I agree policy-holders are not satisfied with the situation. Even if one policy-holder is not satisfied, it concerns us.

SHRI JANARDHANA POOJARY: You are against the split, not because it is against your interest, but because you say it is against the interests of the policy-holders. According to you, there is nothing in the Bill to which you are opposed.

SHRI DHARMENDRA KUMAR: Our interest is academic. About rural diversification, there are constraints in permitting more of dynamism for independent units, to enable them to function more effectively. To-day, the Zonal Manager is authorized under the Life Insurance Act to open divisional offices and branch offices. Tomorrow, for opening any new branch office, we have first to obtain the sanction of Government. This is our impression. I may be corrected, if I am wrong.

Somebody may ask why we did not open more divisions and branches.

ches. It is a matter of general policy. Notwithstanding anything mentioned in the Schedule, unless things are approved by Parliament, perhaps a second division may not be permitted to be opened.

MR. CHAIRMAN: It is said here that the Central Government's permission is not necessary. Please see clause 11(2), and proviso to it.

SHRI BAPUSAHEB PARULEKAR: He is referring to clause 66.

MR. CHAIRMAN. He says it is necessary that we should obtain Central Government's permission, and only then we can open new divisional offices. I say it is not so.

SHRI DHARMENDRA KUMAR: In 1966, according to the Act the Corporation may, with the previous approval of the Central Government, by a notification make regulations not inconsistent with the provisions of this Act and make rules thereunder. The power, the jurisdiction of each Divisional Office and Branch Office of the Corporation falls under this.

SHRI JANARDHANA POOJARY: What about the earlier Act? That also contained the same provision.

SHRI DHARMENDRA KUMAR: The Act itself provides that the Zonal Manager can open divisional offices and can determine the jurisdiction. I am giving another example. If you have to put in all these 43 divisions into the Schedule II, if we have to open 10 more divisions, I think I am not wrong then we have to take the approval from Parliament that we are changing the jurisdiction.

SHRI JANARDHANA POOJARY: Have you taken the approval for the opening of the zonal offices in other places?

SHRI DHARMENDRA KUMAR: Without Parliament's approval we cannot open.

SHRI JANARDHANA POOJARY: But the LIC 1956 Act is identical.

SHRI DHARMENDRA KUMAR: Actually we wanted to open a zonal office at Hyderabad. Actually the zonal office is a statutory organisation. This is the problem. This will create more constraints rather than to create enthusiasm. This provision needs a study. This is a suggestion we are giving you.

SHRI SATISH AGARWAL: In this connection, government representative this morning stated before us that for opening new offices at Ernakulam they had to seek the permission. Is it from the Government or from the Corporation?

SHRI DHARMENDRA KUMAR: They had been given permission and with the approval of the Central Government, they could open the office.

SHRI JANARDHANA POOJARY: You refer to the section.

SHRI DHARMENDRA KUMAR: Actually the LIC Act is not before me. I shall cite an example. In 1973 the power of LIC was such that it can open 10 divisional offices all over the country.

MR. CHAIRMAN: You answer the question yes or no. You say that the permission of the Central Government was to be sought. Can you point out the clause? I can understand it if you do that.

SHRI DHARMENDRA KUMAR: The 1956 LIC Act is not with us. otherwise I could have quoted the relevant clause.

MR. CHAIRMAN: We give you the Act.

SHRI SATISH AGARWAL: The Government representative stated before the Committee that a request was made by the State Government in regard to the opening of a new divisional office at Ernakulam: Are you aware of such a request being made by the State Government or the Zonal Office?

SHRI DHARMENDRA KUMAR: The management side can only answer this.

MR. CHAIRMAN: Is the Bill with you? Is the Act also with you?

SHRI DHARMENDRA KUMAR: Yes, Sir.

MR. CHAIRMAN: Now you point out the clause.

SHRI DHARMENDRA KUMAR: This question is actually to be answered by the management side rather than by us.

MR. CHAIRMAN: All right.

SHRI LAL K. ADVANI: In a way your testimony on evidence is slightly different from that given before the Committee by the people who had opposed the Bill. Broadly speaking, till now, the support to the Bill came from this section that the LIC is not working satisfactorily. Therefore, it should be split up and competition takes place so that it works satisfactorily. Some said that the LIC was functioning wonderfully well and so there was no question of split up and that it should continue as it is. In your case, I find from the memorandum that the LIC is not functioning satisfactorily but the split is not also the parameter. This is the approach. You highlighted one point before us earlier. I would like to quote it from your memorandum at page 30. It says:

"The autonomy of the corporation in particular during the past one decade had been eroded in all its spheres of activity, specially, in the matter of investment and personnel policies. It is common knowledge for anyone connected with the industry that the real management has been only with the Government in pursuing this."

You say that if we split up the corporation into five, the autonomy will be further eroded and the situation will become far worse in this regard than what it is now. Can you kindly substantiate this because it is a very

serious matter? We, in this Committee, would like to be informed or enlightened from the persons functioning within the organisation. If the senior representatives come to their conclusion that it has been progressively eroded in terms of personnel management or in terms of investments, how the split-up would further erode this autonomy. If we want to create five autonomous Corporations instead of one as it obtains to-day and if this is the conclusion that you draw, can you substantiate and elaborate on this?

SHRI DHARMENDRA KUMAR: We do stand by this statement we have given. In matters of investment, though it is a statutory provision that 75 per cent of our investments are regulated investments, in this sense, we have been told that these will go with or without security. That in turn, has resulted into a low yield for our investments. This is our major concern for the LIC. However, I will like to reiterate my stand that if we could reduce our expenses from a statutory 15 per cent to less than 10 per cent, then, certainly we have tried to minimise our expenses. Despite that, we are not in a position to help our policyholders in higher dividends. There is something more required than what is prevailing to-day 8.8 per cent is the gross return on our investments. What goes to the policy-holders in terms of benefits. I am not very good in statistics it is 3.2 per cent as the maximum. It definitely does not help in enthusing the policyholders to go in for more and more of insurance. On the top of all this, the premium is a little higher. Then, competitiveness has been talked about the LIC. In a public sector organisation, competition is a comparison. It is a cut throat business. It is a comparison of results of organisations. Five independent Corporation will be competing amongst themselves. When identical premiums will be there, identical bonuses will be there and identical services conditions will be

there, then, it will mean comparison of the results among them.

SHRI LAL K. ADVANI: My point is essentially confined to your statement of autonomy. How a further split up will further erode that autonomy.

SHRI DHARMENDRA KUMAR: If the bill is passed, it will be seen that Life Insurance Board is a central body which will be a coordinating one to provide supervision and guidance on matters of common interests. But, I wish to point out here that by first stroke the authority is going to be vested in the Central Office. To-day what we are actually pleading for is if this is decentralised, it will completely erode what is vested already. Kindly go through the clause. I am reading the passage from the budget speech of the Finance Minister. He said:

"The role of L.I.C. Board will be of a coordinating body, to provide supervision and guidance on matters of common interests".

I am not going into details of it. Matters of investment, valuation, premium, surplus declaration will be decided as per the Central Government's policy.

SHRI L. K. ADVANI: How has during the past few years the LIC's authority and autonomy been eroded?

SHRI RAJAGOPALAN: Initially when the corporation was formed, the power of determining the service conditions was vested with the corporation. Subsequently it was gazetted with the approval of the Central Government. Now the role of the corporation is a sort of a middleman. Everything should now emanate from the Central Government. It is there after the Supreme Court judgment. To that extent, the power of the Corporation flowed back to the Government instead of flowing down. Again, recently, all India divisional managers conference was postponed

because there was a Government directive that the public sector undertakings should not spend money on unproductive things. This is erosion of autonomy.

SHRI SREEDHARAN: Unfortunately, even when our management is convinced of certain aspects of the service conditions of the officers, they are unable to do anything because the Central Government holds a different view. With the result the unrest continues.

SHRI SATISH AGARWAL: The thrust to the rural business which is being given by the Government now with regard to making funds available to the rural areas is getting good results. Similarly, if the Government could have thought of given more thrust 10 years back, perhaps they would have got better results. What do you say on that?

SHRI DHARMENDRA KUMAR: Yes. While analysing the banks performance one good study has revealed that Rs. 300 and odd crores is the annual premium of earning from the rural segments. As against that, our investment in that segment would be for the rural development programming to the tune of Rs. 100 to Rs. 150 crores. This particular aspect can be examined that if the quantum which is being collected from the rural areas is earmarked only for rural development programming, probably it may be helpful. There is another point. To meet a particular client in rural areas we have to travel sometimes 100 to 150 miles. So, it becomes uneconomical. If we have satellite branches along with the branches, probably we will be able to mop up resources in the rural areas in a much bigger way.

MR. CHAIRMAN: What is the figure of rural collection for the last three years and what was the amount spent during this period?

SHRI DHARMENDRA KUMAR: I have no ready-made figure on that.

MR. CHAIRMAN: Can you give the figures later?

SHRI DHARMENDRA KUMAR: Yes, I can certainly give the figure.

MR. CHAIRMAN: You must give the figures as to what was the amount collected for the last 3 years and the amount spent for rural upliftment.

SHRI DHARMENDRA KUMAR: Yes.

SHRI SATISH AGARWAL: As senior officers of the LIC, have you some knowledge about the functioning of insurance corporations in democratic countries? Is there only one Corporation in democratic countries or are there many insurance companies doing this business? And with regard to premium rates, are they so high in this country? It came to my knowledge through some of my relations that in London they are not going in for insurance with the Life Insurance Corporation of India because the premium rates are very high and the service is very unsatisfactory. So, have you any knowledge with regard to the functioning of insurance in democratic countries whether there is only one corporation in a democratic country or there are many corporations? Secondly, I would like to know whether our premium rates have similarity or they differ with those in the other democratic countries.

SHRI DHARMENDRA KUMAR: There are democratic countries where more than one Corporation are there. In Japan there are competitive insurance companies. We have in India for the first time a very novel experiment. I should say, that we integrated several branch insurance companies into a nationalised sector with the sole objective of helping in mobilising the resources for the common good, for the socially oriented set up. That is why they very objective in nationalising the Life Insurance Corporation is different from what is prevalent in most of the democratic countries. So, to this extent it is a little different phenomenon which we see in India and which we

see in countries like Japan and America.

About London Insurance, from my commonsense I would like to tell you that actually insurance in England is more competitive and that is one reason why we have tried to make the premium and bonus both more competitive in London in comparison to what is done in India. Because of this particular reason of competition, the London rates of premium as well as dividends are different from those prevalent here. I think market competition in London is much more and with our present resources, to my mind it is difficult for us to almost go to the level of other very many competitive corporations there. That is one factor. Probably several other bodies might have submitted their memoranda to you in which they might have pointed out the discrepancies between London policyholders and the policy-holders in India and this is a big controversy which we often see in the papers. I think probably the Consumers' Forum has raised this issue. This is the problem and these are our constraints.

SHRI SATISH AGARWAL: What would be the total number of LIC Class I Officers throughout the country?

SHRI DHARMENDRA KUMAR: 5,600 and odd.

SHRI SATISH AGARWAL: Are they transferable throughout the country?

SHRI DHARMENDRA KUMAR: Yes, Sir.

SHRI SATISH AGARWAL: Is it only LIC Class I Officers?

SHRI DHARMENDRA KUMAR: Yes, Sir.

SHRI SATISH AGARWAL: Have you many officers in the Northern India or Southern India?

SHRI DHARMENDRA KUMAR: The Southern Zone is quite a surplus zone.

SHRI SATISH AGARWAL: The officers from Southern Zone must be serving in other zones also. Is it not?

SHRI DHARMENDRA KUMAR: Yes, all over the country.

SHRI SATISH AGARWAL: Do they not have any grievances over the transfers?

SHRI DHARMENDRA KUMAR: They have grievances.

SHRI SATISH AGARWAL: Do you stand by it that this particular transfer of LIC Class I Officers to various zones throughout the country do not stand in the way of national integration?

SHRI DHARMENDRA KUMAR: We take pride that we belong to an all-India body, it is a national organisation. Definitely we feel oneness amongst our members.

SHRI SATISH AGARWAL: One of the reasons advanced for opposing the split is that this split of LIC will lead to fissiparous tendencies amongst the officers.

SHRI DHARMENDRA KUMAR: That is one of the apprehensions.

SHRI RAJAGOPALAN: I have earlier suggested that by creating a new Corporation for rural insurance business and group insurance business in competition with the LIC, all the Corporations will have an all-India character. So, it will give a better competition on an all-India basis.

SHRI SATISH AGARWAL: We are happy to see that you are against regionalism and fissiparous tendencies. Let us see how the Government reacts.

SHRI JANARDHANA POOJARY: You have stated that the banks have been able to open branches in the rural areas and the percentage share is 73 per cent. Where did you get this?

SHRI DHARMENDRA KUMAR: This is a public document of the Reserve Bank. I have got it from that. In the rural sector it is 13 per cent.

SHRI JANARDHANA POOJARY: So, you are not doubting about this figure.

SHRI DHARMENDRA KUMAR: Of course, about this figure I am sure.

SHRI JANARDHANA POOJARY: You have stated that renewal expense ratio has come down. The renewal expense ratio means that for renewal of the policies the expense is incurred. Am I correct?

SHRI JANARDHANA POOJARY: In the first year of the policy the commission is more, i.e., 35 per cent, and in the next year it will be only Rs. 5/- and when the year passes the expense will come down, their commission will also come down.

SHRI R. RAJAGOPALAN: No, it is 25 per cent with bonus. In the subsequent years it is a constant 5 per cent.

SHRI JANARDHANA POOJARY: How much it will be?

SHRI R. RAJAGOPALAN: It remains constant. It will never be reduced, it will be 5 per cent only. The initial expense for preparation of policies etc. is one-time, expense. Other serving expenses will go up.

SHRI JANARDHANA POOJARY: This will go for renewing the business. Is it not? It is not overall expenditure which is 24 per cent.

SHRI DHARMENDRA KUMAR: That is also a good phenomenon.

SHRI JANARDHANA POOJARY: The overall expenditure is 23 per cent. I want to know whether you are accepting or not. The Renewal expense is confined to the renewal of the policies. Are you agreeing?

SHRI R. RAJAGOPALAN: The overall expense ratio is related to premium income.

SHRI JANARDHANA POOJARY: I am just asking you whether the renewal expense ratio is confined to the renewal of the policies.

SHRI R. RAJAGOPALAN: Yes, But new policies are also flowing constantly.

SHRI JANARDHANA POOJARY: You can explain later, your statement that it is because of your performance. If you have got any information, you can give us. It will be recorded.

SHRI R. RAJAGOPALAN: With regard to overall expenses, all these figures are calculated on the basis of premium income. Apart from premium incomes, those from investments and real estates are also there. So, we have to link them up to the total income. So, the overall expense ratio will come to 13.7 per cent as at the end of 1982-83, and not 21.46 per cent.

SHRI JANARDHANA POOJARY: Is the overall expense ratio of LIC between 23 per cent and 24 per cent?

SHRI DHARMENDRA KUMAR: Compared to the position in 1976 or 1978, and upto 1982, by and large on both these counts we are trying to minimize the expense rates, and to observe more and more economy year after year.

SHRI JANARDHANA POOJARY: We have to show improvement. It means close monitoring, making surprise visits etc.—which are being done for the last two years. That is why this improvement has arisen. If there are five independent corporations, within them there can be closer coordination. The Minister cannot go to all offices. If this close coordination can be achieved by splitting up, and remoteness is reduced, there will be a greater improvement.

SHRI R. RAJAGOPALAN: Even then, monitoring will be at the Central Government's level.

SHRI DHARMENDRA KUMAR: The Morarka Committee says that it is not the proximity which determines the extent of development, but the quality of the person, and the extent of autonomy enjoyed. This internal vigilance is always required, if any organization is to work efficiently. Our hon. Minister is certainly taking a lot of interest to see that LIC runs efficiently.

SHRI JANARDHANA POOJARY: There are complaints that the output given by each employee per day is not even three hours, instead of 6 to 6½ hours. If there is close monitoring, etc., and we are able to put in 6½ hours per day, things will improve. We should calculate what is the cost per hour-day of working of 1½ lakh LIC employees in the whole country.

SHRI DHARMENDRA KUMAR: I appreciate the concern of the hon. Minister. Monitoring is important. We are the people who have to monitor on your behalf. That is the managerial cadre's responsibility. If you wish to pull us up and say: 'You have to give this level of efficiency', you can do it. But if in the name of monitoring, autonomy is taken away, it will not help.

It is not strictly a question of powers being taken away. We feel that things are not moving because they get bogged down at some level.

SHRI JANARDHANA POOJARY: We are happy to one association of employees has said that the interests of the policy-holders is very important. Take the case of poor people in our villages. Is it your case that LIC should be only a profit-making organization? Should there not be a social motive, particularly to serve people belonging to SC and ST? If we have to cover their lives, can we afford to proceed on the present lines? Similarly should we not go to rural areas with a firm commitment to serve them?

SHRI DHARMENDRA KUMAR: Permit us to do it.

SHRI JANARDHANA POOJARY: Has your association any objection to the transfer of officers to rural areas?

SHRI DHARMENDRA KUMAR: No, Sir.

SHRI JANARDHANA POOJARY: We have experienced difficulty. You are giving evidence to-day. It will be recorded and quoted in Parliament.

SHRI DHARMENDRA KUMAR:
We know the prevailing circumstances. We have all-India transfer liability. Where is the point that we are in disagreement with you?

SHRI JANARDHANA POOJARY:
So far as your organization is concerned, don't you have any objection?

SHRI DHARMENDRA KUMAR:
No, Sir; we have already stated it.

SHRI JANARDHANA POOJARY:
You want to give a better service to the people of this country. That is your objective. According to you, it can be done by the zonal offices. So, in the present set up, you have stated that you are not in a position to do anything. The same position will remain even after having five independent corporations. They may not have any change in the outlook.

SHRI DHARMENDRA KUMAR: It is not a question of outlook. It is a question of best service to the policy-holders.

SHRI JANARDHANA POOJARY:
If there is a change in the policy of the corporations, do you mean to say that the outlook would be changed by the employees? If independent corporations are created there will be a close monitoring with all the powers that are given.

SHRI DHARMENDRA KUMAR:
Are you talking of monitoring? If so, by whom is it to be done?

SHRI JANARDHANA POOJARY:
By the Corporation.

SHRI DHARMENDRA KUMAR: We represent the Corporation. In that capacity I think it is being done.

SHRI JANARDHANA POOJARY:
Yes.

SHRI DHARMENDRA KUMAR:
Either to-day or tomorrow who is going into the monitoring? After all there is a Standing Committee. Whoever is the person there, he will be doing the monitoring work tomorrow also.

SHRI JANARDHANA POOJARY:
By close monitoring, it will be seen that the independent Corporations concentrate on particular regions and see that development takes place there. They can reach the rural areas. They can pay more attention to them.

SHRI DHARMENDRA KUMAR:
The State Bank with the officers has done this.

SHRI JANARDHANA POOJARY:
I shall come to it. Although it has 6000 branches, there are so many other banks too in the banking sector which are competing with each other in particular zone. Nobody has raised any objection. If the banking sector is not working properly, we can think of some other remedy. How are you going to be affected here by this Bill? You should concentrate yourselves with splitting up.

Are you for the decentralisation or not?

SHRI DHARMENDRA KUMAR: It is a must. It is like this. Suppose there are four sons in a house. They are living together. Among the housewife, there may be quarrels. Because of that we divide the house. That is one part of it. The second part is that we should coordinate and see that the house is a house of bliss. That is the approach. Even if we are not manageable we can still manage it better in the present set up. If we are inefficient on account of the bigness of the corporation, then, we should try to improve in working that and we should try to plug the deficiencies which it may have.

In the beginning, I have said that the decentralisation by devolution of authorities should be done in this way that it is not merely a question of financial power. It is actually the administrative authority which should be decentralised. By proper decentralisation, we may ensure that the units function in a proper manner. Then, we can make them as more viable and workable units.

SHRI R. RAJAGOPALAN: Our point here is that there is still scope to decentralise under the existing set up.

SHRI JANARDHANA POOJARY: As regards opening of the office, you have already said many things. The LIC business is procured by the insurance agents. They are not the employees of the L.I.C. Am I correct?

SHRI DHARMENDRA KUMAR: They are not the employees of the Corporation but they are the commission agents.

SHRI JANARDHANA POOJARY: They are paid commissions but they are not employees of the L.I.C. There are also Development Officers in the L.I.C. As regards opening of the offices, if it is viable, then only it can be opened. Am I correct?

SHRI DHARMENDRA KUMAR: Yes, Sir.

SHRI JANARDHANA POOJARY: Like that, in the rural areas, by opening of the new branches, the agents and development officers are increased to that extent. The number of branches is also increased. That means there will be viability.

SHRI DHARMENDRA KUMAR: That is true.

SHRI R. RAJAGOPALAN: As you have correctly said, the message of insurance should be spread to the rural areas. Profitmaking should not be the sole aim for opening of branches in the rural areas. Viability is an important criterion. First, it has to get the financial strength for opening the branches in rural areas and bear the expenses. The smaller corporations cannot do that.

SHRI JANARDHANA POOJARY: I am telling you that viability is not the only criterion. If the message of insurance is to reach the rural areas, that means, from the rural sections, more and more premia will be collected. The LIC is not generating anything. The premium is paid by the people of the country. Out of these, the LIC is also incurring some ex-

penditure. More premia are collected from people throughout the country; it means more funds will come to the Pool. And benefits will ultimately go to the people.

SHRI DHARMENDRA KUMAR: Split-up and branch expansion are two different things.

SHRI JANARDHANA POOJARY: Let me put it this way. Firstly, the Bill is in the interests of the employees. When a question was put to you by an honourable member, you came out with a reply that that is not in the interests of the employees because the rights of the employees are taken away by the Bill. We again ask the question and we want an answer from you.

SHRI R. RAJAGOPALAN: There is a slight misunderstanding in our statement. Under the existing set up, Government has got the powers to frame service conditions. Even now, the Government has got control. Probably, we will not be worse off. On the contrary, the work will increase. The service conditions will also remain the same.

SHRI JANARDHANA POOJARY: A separate L.I.C. Board will be there.

SHRI R. RAJAGOPALAN: The Board can only coordinate the activities as far as a particular corporation is concerned. But, the Government is the deciding authority.

MR. CHAIRMAN: Thank you very much.

(The witnesses then withdrew)

III. National Life Insurance Employees Association, Trivandrum

Spokesmen:

1. Shri V. Indusekharan Nair, Working President
2. Shri K. Gopalakrishnan Nambiar
3. Shri P. K. Ninan.

(The witnesses were called in and they took their seats)

MR. CHAIRMAN: Before you start, I may point out that in accordance with the provisions contained in Direction 58 of the Directions by the Speaker, your evidence shall be treated as public, and is liable to be published unless you specifically desire that all or any part of the evidence given by you should be treated as confidential. Even though you might desire your evidence to be treated as confidential, such evidence is liable to be made available to the Members of Parliament.

Would you like to say over and above what you have said in your memorandum? Do you welcome the object of the Bill?

SHRI V. INDUSEKHARAN NAIR: Yes. The main objective of the LIC was to take the message of the life insurance to the rural people. But even after its existence of 27 years, the LIC has miserably failed to reach the rural people. The main reason is faulty developmental strategy of the LIC. Unless it is rectified, the main objective of nationalisation will not be achieved whatever directive the Government of India may issue to the LIC. Whereas we feel that there is a vested interest because they are not prepared to go to the rural areas and by giving certain statistics before the public as well as the Government they create an illusion that the LIC is progressing and hence we should not split the corporation. If we go to the villages, there are lakhs and lakhs of people who do not know the meaning of life insurance. Eighty per cent of the Indian population is residing in villages. If we analyse the business figures of LIC, we can say that 74 per cent of the business is taken by the 20 per cent urban population and only 36 per cent of the business is taken by the 80 per cent population in rural India. That figure itself is wrong because so far as Kerala is concerned, you cannot identify rural area and urban area. For example, if you take the city of Trivandrum, it consists of three panchayats. Majority of the employees

are residing in panchayats. When the LIC analyses its business from these panchayats, it shows it in the rural business. If LIC is split in five corporations, these corporations will be compelled to procure rural business from the rural poor who are in dire need of social security measures, which are lacking so far. Five corporations will be able to achieve that objective.

MR. CHAIRMAN: From your memorandum, it appears that the procedure for registering complaints from the policy-holders is not satisfactory and as a result of that many complaints go unnoticed. Will you be able to suggest some foolproof method in the interest of the policy-holders?

SHRI V. INDUSEKHARAN NAIR: So far as the present set up of LIC is concerned, more than 90 per cent of the complaints of the policy-holders come to the servicing branches because they are primarily concerned with the branches. The statistics furnished by the LIC pertain to the complaints received from the Central Office. Majority of the complaints are not registered by the branches. Though they are maintaining a register, the complaints are not properly registered.

MR. CHAIRMAN: Would you suggest some foolproof method?

SHRI V. INDUSEKHARAN NAIR: There are circulars issued to register complaints. But the authorities are not doing it. To remedy that, my suggestion is that the inspection department should be specifically directed to make a random check of the policy files and if they find any complaint in the file which has not been registered, suitable action should be taken against the person concerned. They should be asked to check the tour reports of the officers in order to find out whether they have checked the complaints or not.

MR. CHAIRMAN: You have mentioned in your Memorandum that one of the deficiencies pointed out by you is the non-settlement of agents' claim by the management, a consequence

of which is that the turnover of number of agents is not heavy. What improvements in procedure would you suggest in the matter and for creating more stability in the cadre of agents?

SHRI V. INDUSEKHARAN NAIR: I have not followed.

MR. CHAIRMAN: You have mentioned in your memorandum that the agents' claims are not settled. What remedies do you suggest by which they can be settled within a very short time?

SHRI V. INDUSEKHARAN NAIR: The present functioning of the Divisional Offices and the Branch Offices should be thoroughly overhauled. The commission bills of the agents are now prepared at the Divisional Office level. There is no proper supervision at the Divisional Office level and because of the lacuna in the procedure and because of the lack of supervision on the part of the supervisory staff, there is a lot of omission in the payment of commission. Unless there is proper supervision and unless they have control, we cannot expect the agent to bring new business, which in turn adversely affects the organisation as well as the agents force. A casual perusal of the number of agents in force will truly reflect how the LIC's agents who are the backbones of the industry are not at all given the due status which they were having at the time of pre-nationalisation. Now, because LIC is a monopoly organisation, the officials think that the agents will bring the business whether they settle their claims properly or not. Now, the method adopted by the LIC is to pay *ad hoc* commission, because of which the workload in the Branch Office is doubled. By this branch staff is to do more work and the agent is also dissatisfied, the staff is frustrated and the whole organisation is suffering due to this.

MR. CHAIRMAN: Do you mean to say that the Branch Offices and Divisional Offices do not function properly?

SHRI V. INDUSEKHARAN NAIR: Yes, in the matter of administration.

MR. CHAIRMAN: How many hours they work in the office?

SHRI V. INDUSEKHARAN NAIR: They are expected to work 6½ hours.

MR. CHAIRMAN: Do they work?

SHRI V. INDUSEKHARAN NAIR: I cannot say that they are working to the satisfaction of the Management.

MR. CHAIRMAN: You have mentioned in your Memorandum (Page 9) that for declaring higher new bonus on the sum assured, the LIC Management does not control bonus business and for the same reason rebating and *benami* agencies flourish and prosper. Have you any suggestions on how the rebating and *benami* agencies can be eliminated?

SHRI V. INDUSEKHARAN NAIR: The evil of rebating and *benami* agency is the creation of the LIC Management. It is because the LIC's development strategy is to bring in new business alone, they are not bothered about servicing aspect, they are not bothered about payment of commission to the LIC agents promptly. They go in for plans which are attractive to moneyed class. The Development Officers who guide the agents will coerce the agents to bring more business, so that their salaries are not affected. Secondly, as regards *benami* agents who are getting more business to avoid income-tax will appoint *benami* agents. So also certain Branch officials to get extra income also appoint *benami* agents. Since the Branch Officers are appointing these agents, they will try to suppress about them. As a result, the honest people are going out of the picture.

MR. CHAIRMAN: What do you mean by *benami*?

SHRI V. INDUSEKHARAN NAIR: For example, I am an agent, I may be having earnings as a result of commissions. When I exceed the income-tax limit, I will try to appoint a person who will stand by me as an

agent and I will procure the business and that business will be brought in his name. Another thing is, an employee of some institution who is prohibited under service regulations from taking the agency—he may be in the bank—he will appoint his wife or his son or brother or son-in-law as an agent and he will get that commission. That is the practice.

SHRI SATISH AGARWAL: But the LIC is getting business. Is it not?

SHRI V. INDUSEKHARAN NAIR: Yes, but at the cost of the professional agents.

MR. CHAIRMAN: It has been mentioned in your Memorandum (Page 10) that due to more than 10 per cent of policy master cards missing in the Divisional Offices, the position of outstanding claims for maturity and death (outstanding for more than one year) is not properly reflected. Can you explain the reasons why master cards have not been properly maintained and what remedial steps are required in that direction?

SHRI V. INDUSEKHARAN NAIR: Premium master cards are the basic records in the LIC offices. Unless these are maintained properly and correctly, the LIC cannot give a correct picture of its functioning and here mainly two factors are responsible for this. There is one due to human error and secondly, carelessness on the part of the employee and also particularly lack of proper storage of stationery. For these sophisticated machines, the stationery should be kept in air-conditioned rooms etc. If this is not done, that becomes useless. Thirdly, the on and off movement cards, that is, alterations in the policies, will have to be effected in the premium master cards. When the employee takes it out and does not replace it in the proper place, that is gone. In almost all divisional offices, this is happening and this will be reflected in the maturity claim list supplied by the Machine Department to the branches, to take claim action. Once it is excluded from the

list, unless the policy-holder writes to us, the office has no other method to verify it.

Next, there is no proper training. This orientation training is not being given to persons dealing with these machines. Also, the majority of officers posted as in-charge of the Machine Department do not have a basic knowledge of the functioning of the machines. Any breakdown in the machines is to await the arrival of the engineer from the company.

MR. CHAIRMAN: It has been mentioned in your memorandum at page 16 that as compared to other agencies engaged in small savings, LIC is slow in responding to the changing requirements for expanding its business activities in areas so far neglected. Have you any suggestions on the organizational changes required in LIC to meet such a deficiency?

SHRI V. INDUSEKHARAN NAIR: At present, LIC is not opening new branches in rural areas. All the branches they open are concentrated in cities. The majority of our villagers are illiterate, and cannot go through the letters and reply. They want face-to-face explanations to their doubts. Unless LIC opens branches in villages, villagers will not get the benefit of life insurance. So, the present system of concentrating on urban areas should be changed. More and more branches should be opened in villages, so that, LIC can mop up rural savings.

MR. CHAIRMAN: In your memorandum (page 23), you have expressed the need for a provision in the Bill for constitution of Employees' Consultative Committees in addition to the Service Matters Tribunals. Please elucidate the type of issues which you think can be taken to such committees; and how the proposed committees should be constituted. Is there no machinery at present for such internal consultation within the various echelons of the LIC set-up?

SHRI V. INDUSEKHARAN NAIR: The Service Matters Tribuna will

deal only with service matters about which the employees has got complaints. Only if he fails to get his grievances redressed through other agencies, will he go to this tribunal. Previously, there were 'Agents and employees' relation committees. They have been dispensed with. In those committees, welfare measures like canteen facilities etc. were discussed, as also shifting of offices. This will not affect service matters. If those committees are revived, such small matters can be discussed. It will give the employees a sense of belonging, that they are also consulted in the running of the industry. It is now lacking.

SHRI LAL K. ADVANI: On page 23 of your memorandum, you have welcomed the embargo on employees and members of the proposed tribunal from participating in active politics. Have you gone through Clause 64 in detail?

SHRI V. INDUSEKHARAN NAIR: Yes.

SHRI LAL K. ADVANI: Do you appreciate that to-day you are affiliated to the INTUC which, in turn, is connected with a political party. So, it is theoretically possible for the Government to take a stand that it should not be there. So, either you may have to dissociate yourself from it; or else your association may be de-recognised.

MR. CHAIRMAN: INTUC is not a political party. It is an independent organization.

SHRI LAL K. ADVANI: We can discuss it later. Clause 64 does not refer only to political parties. I am aware of it. I said: it is related. Clause 64 says that no person who is an employee of the Corporation shall be a member of, or be otherwise associated with any political party. It also says: "... or any organisation which takes part in politics..." As to whether an organisation takes part in politics or not, sub-clause (2) of clause 64 says:

"If any question arises whether a party is a political party or whe-

ther any organisation takes part in politics or whether any movement or activity falls within the scope of sub-section (1), the decision of the Central Government thereon shall be final."

You can certainly say that so far as INTUC is concerned, it is never going to be subjected to this particular provision. But I would say that theoretically it is certainly possible for the Government to maintain that INTUC or AITUC, BMS or any such other organization is connected with such and such a political party; and, therefore, its activities fall within the mischief of this clause. Is it not so?

SHRI V. INDUSEKHARAN NAIR: Theoretically it is possible.

SHRI LAL K. ADVANI: So, do you agree with this?

SHRI V. INDUSEKHARAN NAIR: Theory alone will not come into this.

SHRI LAL K. ADVANI: Government is taking powers to decide this.

SHRI V. INDUSEKHARAN NAIR: Even if Government takes an unilateral decision, courts are there.

SHRI LAL K. ADVANI: Do you accept this provision *in toto*?

SHRI V. INDUSEKHARAN NAIR: Yes.

SHRI LAL K. ADVANI: Don't you think that a similar provision should be applied to all other public sector undertakings including banks and not to LIC alone?

SHRI V. INDUSEKHARAN NAIR: The L. I. C. is a financial institution like the bank. If the employees of the financial institution dabble in politics, that will create havoc.

SHRI LAL K. ADVANI: The principle is to be applied to all the financial institutions. If that is applied to the L.I.C., then it should be applied to banks. The present decision is discriminatory as it is in favour of the banks but it is against the L.I.C.

MR. CHAIRMAN: I may point out to you that they have already stated all this in their memorandum.

SHRI SATISH AGARWAL: They have said so many things in their memorandum.

SHRI LAL K. ADVANI: They said that LIC is a financial institution and, therefore, I pointed out to them that in the case of banks which are also financial institutions there is no such provision. So, this provision in the Bill is discriminatory as between the bank and the LIC employees.

SHRI V. INDUSEKHARAN NAIR: This is a new Bill. The LIC is a financial institution and there is nothing that prevents the Government to include the banks also in this Bill.

SHRI LAL K. ADVANI: I know that nothing prevents the Government from introducing it in respect of the bank employees also. You are to give your opinion on behalf of your association as to how far it is discriminatory.

MR. CHAIRMAN: They said that this is a welcome feature.

SHRI LAL K. ADVANI: Coming to healthy competition and dynamism of the organisation, I would like to refer you to page 21 of your memorandum wherein you have dealt with LIC as a monopoly concern. This is what you said:

"LIC being a Monopoly concern, it faces no challenge from any quarters and this is major reason for its lack of dynamism in its functioning at all levels. Like a python it gets sustenance from the vast potential spread throughout the length and breadth of the country and when it achieves its business target by the hard work of the grass root level agents it takes rest for a long period and again spurt into activities when the financial year draws to a close. Lack of competition from

any other quarter is the major reason for the sluggish growth of LIC, especially into the rural areas."

It is a very forceful theory that you have presented. I am sure you would appreciate this that there are so many monopoly public sector undertakings in the country or even the Government departments functioning here. Take, for instance the telephone department. Because of the monopoly, problem arises. Would you favour extension of this principle to other public undertakings, other sections of the public utility services? IAC can be identified as a monopoly concern. It is a refreshing idea coming from your organisation. Let this not be confined to the limited scope.

SHRI V. INDUSEKHARAN NAIR: We stand by what we said. It all depends upon the nature of the industries that we have:

SHRI LAL K. ADVANI: Take for example the telephones or Airlines. Just as you are serving the policyholders where monopoly is giving rise to very many evils which you want to cure by competition, similarly, you suggest that wherever there are public utility services, the stranglehold of the monopoly should be broken.

SHRI V. INDUSEKHARAN NAIR: Banking is already nationalised. There are nationalised banks competing with each other. They are going into the rural areas and procure money. This is channelised for developmental activities and because there is competition with each bank, we have new plans of investment for the public. Similarly, in the LIC there is no competition because its officials know that the insured public money cannot go anywhere else. If anyone wants to take life insurance policy, he thinks till the eleventh hour.

SHRI LAL K. ADVANI: As in the case of LIC would you like to

apply that principle to all public utility services also?

SHRI P. K. NINAN: If it is for the good of the industry and the country as a whole, then it should be done.

SHRI LAL K. ADVANI: I would like to know from you one thing. A suggestion was mooted before us that in order to encourage competition, it would be desirable if the banks are permitted to float subsidiary insurance companies. Since the banks have already got so many branches all over the country, the spread of insurance to the country side would be far more easier and far more feasible and practicable. It is fit if the banks are permitted to launch subsidiaries dealing with insurance.

SHRI V. INDUSEKHARAN NAIR: Banks and insurance business are entirely on a different footing. We cannot mix these two.

SHRI LAL K. ADVANI: In fact some banks' representatives who appeared before us said that they were equipped to launch subsidiaries of insurance if they are permitted by the Government. They would be able to cover more people.

MR. CHAIRMAN: The hon. witness has given a reply. Now you put the question.

SHRI LAL K. ADVANI: It has been said that the agent dealing with banking may be permitted to go into the field of insurance.

SHRI V. INDUSEKHARAN NAIR: They are prohibited to go into the life insurance. There is no separate industry to deal with life insurance. There is no necessity to give this to another industry.

SHRI LAL K. ADVANI: I am merely going by the cue of competition coming from you. I am trying to understand as to how to break the monopoly.

SHRI V. INDUSEKHARAN NAIR: We want competition amongst ourselves. Let us experiment this.

SHRI SATISH AGARWAL: All these 5 corporations should compete with each other on an all-India basis.

SHRI V. INDUSEKHARAN NAIR: This need not be done. If this is done, the present malady will continue.

SHRI SATISH AGARWAL: Where is the question of competition here? As the GIC is one national corporation, where is the question of competing with each other.

SHRI V. INDUSEKHARAN NAIR: Competition is there because the functioning of each Corporation will be assessed by the Board as to how they function and how they procure business.

SHRI SATISH AGARWAL: It is done even now in the zonal offices.

SHRI V. INDUSEKHARAN NAIR: This is not being done.

SHRI VITHALRAO MADHAVRAO JADHAV: You said in the beginning that after nationalisation of the LIC it did not go to the rural areas. Now the Bill has come. Do you feel that after the split of the LIC into zones, it will go to the rural areas and fulfil the needs of the rural areas more and more. How far do you feel the objective will be fulfilled. Will you please explain?

SHRI V. INDUSEKHARAN NAIR: Successive implementation of the Five Year Plans has generated more economic activities in the rural areas. You will find that in the countryside, the economic prosperity has taken place. It may not be to the extent desired by Government. There is ample proof that there is economic activity in the villages and the people can save money. They could purchase luxury articles so to say. These go to show that in the rural areas there is a phenomenal increase in the deposit mobilisation. If the

banks could show the phenomenal increase, why not the LIC? 80 per cent of socially downtrodden or economically backward people are living in the villages. They also need social security in the form of life insurance which is being denied to them now.

The LIC has to be compelled to go to rural areas to afford the social protection to the rural poor as envisaged in the nationalisation objectives. Therefore, we feel that if the new Corporations are formed with the limited areas of operations with limited jurisdiction, they can not cover these areas without the Government's permission. They will have to be compelled to go to the rural areas to procure more business. They cannot confine their activities to urban areas where it has reached the saturation point. The LIC covers the moneyed classes who do not need the insurance covers. They are thrust upon the insurance cover with a view to saving in income tax. Their saving has doubled. They do not need the insurance cover at all. Moneyed men need not seek the insurance cover. The rural people need this. When the family is left in the lurch, at that time, they want insurance protection whereas those who need insurance policies, they are denied of that. Therefore, we want that this split should be implemented and they should be compelled to go to the rural areas.

श्री राम लाल राही : मैं यह जानना चाहता हूँ कि कोई भी कर्मचारी कहीं भी काम करता है, उसपर डिपार्टमेंटल ऐक्शन हो, फिर ट्राइब्यूनल में ऐक्शन हो लेकिन फिर भी उसको न्याय न मिले और कोर्ट में जाने से उसको बंचित रखा जाय—यह बात कहां तक उचित होगी ?

SHRI V. INDUSEKHARAN NAIR: That statement is not completely true because under the Constitution there is a provision for a right to writ. 876 LS—13.

The service tribunal is having full powers. It functions as a judicial body. If you cannot believe the judicial body, you cannot believe the judicial system as a whole.

श्री राम लाल राही : इस बिल को हमने देखा है, आपने भी देखा होगा, इसमें जो विभाजन करने का प्रावधान है उसके पीछे मेरा पर्यक्ष यही है कि जीवन बीमा का विस्तार रूरल एरियाज में हो सके और पालिसीधारकों को अच्छी क्वालिटी की सर्विस मिल सके लेकिन बिल में कोई भी ऐसा क्लॉज नहीं है जो पालिसीधारक के लिए इस बात की गारण्टी देता हो कि उसे अच्छी सर्विस मिल सकेगी और न ही इसमें कहीं इस बात की गारण्टी है कि रूरल एरियाज में बिस्तार हो सकेगा । तो इस बारे में आपको क्या कहना है ?

SHRI V. INDUSEKHARAN NAIR: The main purpose of nationalisation is to serve the rural poor people. When the area of operation of each corporation is limited and when they are accountable to the Board and Government to increase their business, they have no other go but to go to the rural areas to increase their business. Government is empowered to give directive to the Board and the Corporation. Therefore, we feel that there is no specific clause required in the Bill for that.

MR. CHAIRMAN: There is a provision in clause 9 which says that each corporation shall be responsible for the intensive business of life insurance within the zone.

SHRI K. A. RAJAN: What is the total number of employees in this division and how many employees do you represent?

SHRI V. INDUSEKHARAN NAIR: Total number of employees is 800 and odd and we represent 262.

SHRI K. A. RAJAN: You believe in collective bargaining. How far the right of collective bargaining has been upheld by this Bill.

SHRI V. INDUSEKHARAN NAIR: There is no such protection already existing. Why should it find a place in the Bill?

SHRI JANARDHANA POOJARY: You are from which place?

SHRI V. INDUSEKHARAN NAIR: I belong to Trivandrum city.

SHRI JANARDHANA POOJARY: Do you know the Mayor of Trivandrum?

SHRI V. INDUSEKHARAN NAIR: Yes, Sir.

SHRI JANARDHANA POOJARY: To which party does he belong?

SHRI V. INDUSEKHARAN NAIR: The Trivandrum City Mayor belongs to the Communist Party (Marxist).

SHRI JANARDHANA POOJARY: The person who came for interpretation yesterday is the person belonging to the LIC. He is a Joint Secretary of the Employees' Union. Is it not?

SHRI V. INDUSEKHARAN NAIR: He is the Joint Secretary of the LIC Employees' Union affiliated to All India Insurance Employees Association. It seems he accompanied the Mayor yesterday to give evidence.

SHRI JANARDHANA POOJARY: There was a Government employee also who came for interpretation. But he did not do interpretation.

SHRI V. INDUSEKHARAN NAIR: There is a man from the Secretariat approved by the Secretary.

SHRI JANARDHANA POOJARY: His name is Mr. Vasudevan. Is it not?

SHRI V. INDUSEKHARAN NAIR: Yes.

SHRI JANARDHANA POOJARY: He is a Translator in the Law Department. Is it not?

SHRI V. INDUSEKHARAN NAIR: Yes.

SHRI SATISH AGARWAL: What is wrong in all this?

SHRI BAPUSAHEB PARULEKAR: Are we to take it that the interpretation made by him is not correct?

SHRI JANARDHANA POOJARY: It is not that. He had given the evidence yesterday before the Committee. And we have been asking to which Party he is affiliated. Here also some of the employees have come and this Employees' Association is connected with the Mayor's Party. That means the Mayor is also interested in giving evidence. It is only for that purpose I asked

Mr. Indusekharan Nair, you know about renewal expense ratio and overall expense ratio. So far as this renewal expense ratio is concerned, that is the expenditure in connection with the renewal. Is it not?

SHRI V. INDUSEKHARAN NAIR: Yes, Sir.

SHRI JANARDHANA POOJARY: How can you explain?

SHRI V. INDUSEKHARAN NAIR: In assessing the efficiency of the Corporation or such insurance companies renewal expense ratio, overall expense ratio and some actuarial things are being assessed by costs. Overall expense ratio means total management expense. That is, the insurance company spends a certain amount per year. That is the total management expense and the total premium income received by different companies and the proportion of the total management expense to the total premium income is the overall expense ratio. To assess the prosperity or the viability of the company overall expense ratio should be the criterion and the renewal expense ratio is the proportion of the renewal premium income spent in payment of agents' commission and expenses

in each year. This is the difference. Suppose the total management expense is A and from this total management expense the LIC deducts a certain percentage of the first year's premium income. That is, the first year's premium income is based on the new business. For this different percentages are adopted. Ninety per cent of the first year's premium income is deducted from the total expense and the relation between the balance amount, i.e., the total renewal expense and this renewal expense in relation to renewal premium income is the renewal expense ratio. In fact to assess the viability of insurance, you should look into the overall expense ratio, but in LIC it projects the renewal expense

ratio. If you go through insurance accountants books, you can see that in Japan and Western countries they take into account the overall expense ratio of the company, but the LIC here takes the overall expense ratio. Every year we get new business, more, the first year's premium income will be more. If the premium income rises, the renewal expense ratio comes down and that is the reason why the LIC is trying to mop up more business every year; if more business comes, more premium income will come. Then naturally the renewal expense ratio decreases.

MR. CHAIRMAN: Thank you.

(The witnesses then withdrew)

(The Committee then adjourned)

RECORD OF EVIDENCE TENDERED BEFORE THE JOINT COMMITTEE ON THE LIFE
INSURANCE CORPORATIONS BILL, 1983

Thursday, 24 May, 1984 from 1000 to 1315 hours at Conference Hall, 10th Floor,
New Secretariat Building, Madras

PRESENT

Shri Mool Chand Daga—Chairman

MEMBERS

Lok Sabha

2. Shri Satish Agarwal
3. Shri M. Arunachalam
4. Shri Ghayoor Ali Khan
5. Shri K. Mallanna
6. Shri Braja Mohan Mohanty
7. Shri Kusuma Krishna Murthy
8. Shri Ram Pyare Panika
9. Shri Bapusaheb Parulekar
10. Shri Janardhana Poojary
11. Shri Ram Lal Rahi
12. Shri K. A. Rajan
13. Shri M. S. K. Sathiyendran
14. Shri Natvarsinh Solanki

Rajya Sabha

15. Shri Nand Kishore Bhatt
16. Shri Vithalrao Madhavrao Jadhav
17. Shri R. Ramakrishnan
18. Shri Rameshwar Thakur

SECRETARIAT

Shri R. S. Mani—Senior Legislative Committee Officer.

REPRESENTATIVES OF THE MINISTRY OF FINANCE (DEPT. OF ECONOMIC AFFAIRS)
(INSURANCE DIVISION)

1. Shri H. M. S. Bhatnagar—Additional Secretary.
2. Shri R. K. Mahajan—Controller of Insurance.
3. Shri S. G. Subrahmanyam—Executive Director (Investment).
4. Shri S. K. Purkayastha—Director (Insurance)
5. Shri A. S. Gupta—Current-in-Charge and Managing Director.

I. Madras Institute of Development Studies, Madras:

Spokesmen:

1. Dr. K. Nagraj
2. Shri V. K. Ramachandran
3. Shri K. Bharathan

II. South Zone Insurance Employees' Federation, Madras:

Spokesmen:

1. Shri N. M. Sundaram, General Secretary.
2. Shri S. Rajappa, Joint Secretary.
3. Shri T. Rajarao, Joint Secretary.

III. Shri A. Ramachandran,
Barrister-at-Law,
Row and Reddy Advocates,
Madras.

**I—Madras Institute of Development
Studies, Madras.**

Spokesmen:

1. Dr. K. Nagaraj.
2. Shri V. K. Ramachandran,
3. Shri K. Bharatan.

(The witnesses were called in and they took their seats)

MR. CHAIRMAN: Will you kindly introduce yourselves to the Committee?

(Shri Ramachandran then introduced himself and his colleagues to the Committee).

Before you start, I may point it out to you that in accordance with the provisions contained in Direction No. 58 of the Directions of the Speaker, your evidence shall be treated as public and is liable to be published unless you specifically desire that all or any part of the evidence given by you is to be treated as confidential. Even though you might desire that your evidence should be treated as confidential, such evidence is liable to be made available to Members of Parliament.

You have already signed this.

DR. K. NAGARAJ: We have not signed this. Now we shall sign this.

MR. CHAIRMAN: I thank you all for taking the trouble of giving a memorandum. Do you agree with the principles of the Bill or not?

SHRI V. K. RAMACHANDRAN: In so far as the Bill goes, we do not disagree with the principles for making the L.I.C. a more efficient organisation. We disagree with the principles enunciated in the Bill.

MR. CHAIRMAN: You totally disagree with the objectives of the Bill. Is it not?

SHRI V. K. RAMACHANDRAN:

We do not disagree with the objectives of the Bill. The objective as stated in the Bill is in regard to a most effective realisation of the objective of the nationalisation. We have no objection to this. But, we feel that the provisions of the Bill do not contain any such thing.

MR. CHAIRMAN: What amendments do you suggest in regard to certain clauses of the Bill?

SHRI V. K. RAMACHANDRAN: We would prefer not to go in terms of general clauses.

MR. CHAIRMAN: Have you gone through them?

SHRI V. K. RAMACHANDRAN: We have not gone through the clauses as such. We read from the newspapers of the country.

Now we have gone through the Bill.

MR. CHAIRMAN: You have given your memorandum.

SHRI V. K. RAMACHANDRAN: That is true. My objections come from the broad perspectives. Having worked on the decentralised planning and knowing also the effect of the LIC in our Indian economy, we feel, without going through clause by clause consideration of the Bill, that the Bill in toto is not conducive to certain aspects of the economic planning. Firstly let me emphasise that the need for decentralisation in the sense of devolution of executive powers and encouragement to local initiatives is all right. There is no specific plan programme for any such decentralisation of the LIC. What is sought to be done is to split up the L.I.C. into five organisations in order to introduce an element of competition between these organisations. The competition in itself will tone up the efficiency of the organisation, we be-

lieve, will not be touching the issue of decentralisation in any manner. Let me try to elaborate this. We keep two important things in our minds—first in our context, the competition would ultimately be related to some indicators or profit/expense ratio in the case of L.I.C. The second important thing is that we want to make the LIC to play the crucial economic role. Its role is to mop up small savings—a major long term problem. These two may have disastrous consequences on our planning process as such. If the profit is the sole indicator of the efficiency or if the profit is to go with the efficiency of the economy, then the urban areas would be preferred by the L.I.C. In this context of the economy, there is a great deal of difference between the rural and urban areas as also between different zones. Certain areas are extremely backward while certain others are very much advanced. This may aggravate the situation.

MR. CHAIRMAN: How will this aggravate the situation?

DR. K. NAGARAJ: If the expense ratio or, for that matter, if profit is the indicator of efficiency and if competition is allowed within these five corporations, in the urban areas, the expense ratio will be much lower. Take for instance Maharashtra, Tamil Nadu and Karnataka. The business of the LIC will be more and more here. In backward area like Madhya Pradesh, it will be much less. In our country where there is a great deal of disparity—regional as well as economic disparity—this will certainly aggravate the situation rather than nullify this. This is one aspect. The other aspect is that if the productivity is the sole indicator of efficiency, then, the investments by the L.I.C. may go to the non-priority sectors where the returns may be high. The third aspect is that the splitting up of the LIC would obviously mean higher cost in terms of administrative expenses and things of that sort.

The costs have to be recouped or balanced. In that case there is every reason for the premium rates to be lowered. Presently, they are far too high. I do not think we have to go into it in detail. We have made a simple calculation. According to this, if a policyholder, at the age of 25, has a policy of Rs. 10,000, after 25 years, when he will be of the age of 50, the total receipt from the LIC to him would be of the order of Rs. 15,000 including the bonus whereas the return from the fixed deposits would be of the order of about Rs. 40,000. That means, there is a difference of Rs. 25,000. This would be the risk premium for covering the risk of the life. But the fact of the matter is that today after great advance in medical science we see in India that the life expectancy has gone beyond 60 years. So, that means, the man who gets that policy does not get any benefit at all. On an average, the premium rates are already high. The consequences of splitting the LIC will be wider disparity, distortions in investment policy, etc.

SHRI JANARDHANA POOJARY: According to you, is there no distortion at present?

SHRI V. K. RAMACHANDRAN: In the absence of a regular Government policy on housing, LIC moves into a low profit area of investment like housing.

MR. CHAIRMAN: On page 2 of your memorandum you have talked about tribunal. This is an additional right which we are giving. So far as the claims part is concerned, they can go to the civil court also. We have not debarred them.

DR. K. NAGARAJ: We will re-examine it. In the matter of a tribunal like this, if someone goes to the civil court, the civil court may say that there is a tribunal and you can go to the tribunal.

MR. CHAIRMAN: About denying the employees the right to join any

political party, will you please elaborate this point?

SHRI V. K. RAMACHANDRAN: In the name of improving the efficiency of the insurance business in India, attempting to introduce a measure which not only prevents application of the ID Act to the employees but also denies the basic right of citizenship, is not good. In my view the right to belonging to any political party and canvassing for it and working for it, is a basic right. In fact, in a parliamentary system of Government, the Government should encourage the people to take active part in politics.

MR. CHAIRMAN: Are you aware of the Life Insurance Corporation Act, 1956?

SHRI V. K. RAMACHANDRAN: No, I am not aware.

SHRI RAMESHWAR THAKUR: We are meeting a group of eminent economists. Have you drawn your conclusion after closely examining this Bill and the corporate structure of LIC?

SHRI V. K. RAMACHANDRAN: We also said that we are subsequently able to procure a copy of the Bill. Our point basically relates to Section 4 which creates five new Corporations.

SHRI RAMESHWAR THAKUR: While framing your Memorandum have you had the occasion to study the corporate structure of the LIC apart from the provisions of the Bill? Have you made a closer study of the corporate structure of LIC, its economies, its viability etc.? Have you studied all these objectives and then planned your conclusions in giving your observations? You have drawn three conclusions on the basis of newspaper reports. These three aspects relate to methods prescribed by Government regarding investment. Are you aware that the Government's policy in regard to the LIC investments is much wider? Secondly, about the expansion policy, if you

feel that the policy of expansion means going to the rural area thereby the operation becoming costly, then I can say that the main objective is to go to the rural areas. The third aspect which you have mentioned is about the modern and democratic practice. If that is the objective could you not feel that they should adopt more democratic practices?

DR. K. NAGARAJ: We have viewed the Bill basically from the broader perspective. I have made this point that viewed in the broader context, our objective in our planning is basically in terms of the balanced development of the different regions.

SHRI JANARDHANA POOJARY: How going into the rural areas is going to affect this planning process?

DR. K. NAGARAJ: My point is this. By splitting up of LIC into five competing organisations in the context of competition means basically some sort of a profit oriented objective.

SHRI JANARDHANA POOJARY: Please answer the hon. Member's question. According to you, in the existing system, is the planning process affected?

DR. K. NAGARAJ: Today, yes. In the existing system, how does the LIC plan an extremely good role in the planning process?

SHRI JANARDHANA POOJARY: In the existing Bill the planning process is not to be affected.

DR. K. NAGARAJ: If the Bill is introduced...

SHRI JANARDHANA POOJARY: I am not referring to the Bill. The question is, according to the proposed system whether it is going to affect the planning process.

SHRI V. K. RAMACHANDRAN: We have studied from the point of view of the perspective of planning as a whole.

SHRI JANARDHANA POOJARY: Have you got any study report by you? Did you make any study?

SHRI SATISH AGARWAL: Mr. Chairman, unless each question is answered by the witness it will not be possible to have his complete views.

SHRI V. K. RAMACHANDRAN: Sir, we think that there is enough objection to the Act. The first relates to the splitting up of the organisation itself.

MR. CHAIRMAN: Kindly answer the specific question put to you by the hon. Minister.

SHRI V. K. RAMACHANDRAN: The specific question is: 'Have you made any study of the LIC?' Yes, we have done it. We recognise the role of LIC in investment planning.

SHRI RAMESHWAR THAKUR: Have you made any study with reference to the economic development of the country? In your observations you have mentioned in regard to the costs and spending. According to you, the costs will go up and according to you the income is not likely to increase much because of the limitations and conditions in the country. Don't you look into the aspect of skill of operations and would you not agree that if you think in terms of increasing business with the skill of operations, then the costs of operations will go down?

As an economist you would agree that the cost of operation depends on the skill of operation. By splitting up into five Corporations the LIC would go into the rural areas, apart from serving the better sections of the society. Then we will have more business. More business would mean lesser cost of operation. Do you agree with that?

Secondly, if you make better use of the organisation at the regional level, we will be able to get better return from them. Do you agree or do you have any other observations on this?

SHRI K. BHARATAN: I think there are two aspects of the question of costs. The first is that you have at present a unitary organisation at the All-India level. If you split it up into five separate corporations, there is a certain cost involved in this. Apart from this the fact is that if you have five different corporations, certain methods will have to be duplicated thereby costing us more.

Coming to the question of rural areas, it is a good idea, and it is an excellent idea that they have to move into rural areas. But by splitting up the organisation, they are going to compete in terms of the criterion of profitability. Whatever it may be, two things are likely to happen. First, each of these organizations, in order to get these before the other bodies, is going to give priority to tapping those areas. This will mean further emphasis on urban insurance; and not on rural business. I am for rural insurance. Splitting up of the LIC runs this risk. Insurance should go to rural masses, but splitting the LIC will not achieve this.

SHRI RAMESHWAR THAKUR: Our economic policy should be such that it should carry the benefits to the poorer people. Do you think that if a southern corporation is formed for Andhra, Tamil Nadu, Kerala and Karnataka with a population of 16.43 crores and an area of 6.36 lakh Kms. it will be viable, economically operational and efficiency; and that it would cater to the rural areas in these four States which have not been covered so far? Also, by this coverage, will there be no economic loss but only gains? Will it be able to manage its affairs properly?

DR. K. NAGARAJ: The question is not one of viability, but of efficiency. LIC as it is to-day, is viable; but it is a question of improving its efficiency. Whether we can do it by proper decentralization, or we should have the split, is the question.

Regarding the scale of operations, there has been a study about the relationship of costs, to the scale of operations of life insurance in India and abroad. It has been observed that there is, what economists call increased returns to scale. As the scale increases, costs come down upto a certain stage. This speaks for a unitary organisation.

The Institute of Financial Management and Research in Madras has made a study, which has come to this conclusion.

SHRI BRAJAMOHAN MOHANTY: I am happy you broadly agree with the basic purpose of the Bill viz. decentralization and that LIC should maintain its social objectives. It should not be 100 per cent commercial, but should have commercial and social objectives. But why are you afraid that after the split-up, it will become more commercialized, and that the social outlook will be ignored?

DR. K. NAGARAJ: About commercialization, we have said that if these corporations are allowed to have competition, in our context competition will mean emphasis on the rate of profit.

SHRI BRAJAMOHAN MOHANTY: If you have not studied the problem from that background you can give your reaction later. In the light of clause 20, how do you say that commercialization alone will be taken care of?

SHRI V. K. RAMACHANDRAN: In a country as vast and diverse as India is, you need specific policy considerations for specific regions. So, devolution of executive power is necessary. But decentralization in the sense of splitting up an organisation which has certain viability and unity, is a thing with which we do not agree. We feel we try to counterpose the advantages of decentralization.

SHRI BRAJAMOHAN MOHANTY: Has any in-depth study been made

by your organisation or any other, in our country on this subject? If so, the relevant material may please be furnished to us.

SHRI V. K. RAMACHANDRAN: I am not sure about it. Further, Section 20 refers to the functioning of the Board.

SHRI BRAJAMOHAN MOHANTY: By splitting-up the LIC into five zones, will the social objectives be achieved?

DR. K. NAGARAJ: Section 20 refers to certain functions of the Board. Our basic point is this. Why bring in undue competition here? Why not retain the structure as it is to-day? Why bring in unbridled competition? To me it appears that it may lead to disastrous consequences on our economic planning.

SHRI BRAJAMOHAN MOHANTY: After the split up of the LIC, will the regional disparities be removed?

SHRI V. K. RAMACHANDRAN: It has not yet been split up. How can you expect us to make a study on it?

MR. CHAIRMAN: Have you studied this aspect? Or have you prepared a report in regard to any other organisation? If so, you can submit it after a fortnight or so.

SHRI V. K. RAMACHANDRAN: A study has been made on how the benefits of reorganisation are being reached in the LIC.

MR. CHAIRMAN: Have you got the report? If so, can you give it to the Committee?

SHRI V. K. RAMACHANDRAN: We shall give it to you. A study was made by the Institute of Financial Management. We do not believe in duplicating that work.

DR. K. NAGARAJ: We can only say that we have studied this report.

MR. CHAIRMAN: This is a simple question as to whether you have made a study or not. They say that there is some other organisation which has

made a study on it. If you rely on their report, will you please supply us with a copy of the report to our Committee?

SHRI V. K. RAMACHANDRAN: We shall submit to you a copy of that report. Our answer to the second question is that we cannot possibly have a study on what would be the consequence of this disastrous move?

MR. CHAIRMAN: Now, I would request the hon. Members to put the questions.

SHRI BRAJAMOHAN MOHANTY: In our political system, government employees cannot take part in politics; nor can they participate in any electioneering. This is the system we have adopted. That is also the system we have adopted in so far as the public sector undertakings are concerned.

Do you want that government employees, semi-government employees and employees working in public sector undertakings should be allowed to participate in politics or in electioneering?

SHRI V. K. RAMACHANDRAN: Whoever he may be, every citizen has a right to participate in politics. It includes membership and participation in politics and in the election campaign of political parties also.

SHRI BRAJAMOHAN MOHANTY: We are not enlightened on this at all.

MR. CHAIRMAN: The hon. Member put the question and an answer has been given by the witness.

SHRI KUSUMA KRISHNAMURTHY: I want to seek a clarification from them. Our public undertakings are guided by the profit motive. According to our basic economic policy, there is need to improve the operational efficiency of the LIC. You also agree with me that the neglected sector of the people is in the backward areas. These areas need to be covered by the LIC. Kindly tell us whether we would be able to achieve these objectives by the present Bill.

SHRI V. K. RAMACHANDRAN: There is a problem here. What we are discussing here is not merely ways and means of increasing or improving the efficiency of the LIC—that is a detailed question—but we are here to discuss the provisions, particularly relating to the LIC. We are not talking here in generality.

MR. CHAIRMAN: You will try to understand us. This Bill has got certain objectives. He has pointed them out to you. The witness also said that he had no objection to these.

SHRI KUSUMA KRISHNAMURTHY: What is your objection to the basic objective in the Bill?

SHRI V. K. RAMACHANDRAN: We disagree with the basic objective of splitting up the LIC into five zones. Moreover, we feel that mere splitting up will not improve the operational efficiency of the LIC. It is better to keep this as a unitary organisation. On the LIC's operation into the rural areas, there is a separate question. We are here talking about desirability of the split up of the LIC. That is the subject matter of discussion.

MR. CHAIRMAN: Have you gone through the Era Sezhiyan Committee Report? Let me tell you the finding of that Committee. It reads as follows:

"In spite of a large growth in business, efforts made for improving its service to policy-holders and achieving the economy in management, the LIC has not been able to meet most of these objectives. The Committee is convinced that the present unitary structure has been a major factor inhibiting the progress."

Some of the major considerations which have led the Committee to arrive at the conclusions/recommendations are as below:—

"In the light of the considerations, contained in paragraph 22, the Committee has come to the conclusion that it is desirable to split up the LIC into five separate Corporations."

This is the finding of the Era Sezhiyan Committee. Have you gone through it and do you agree with the findings or not?

SHRI K. BHARATHAN: We do not agree with the findings of the Committee. Apart from the fact that other committees have also gone into this question and they have not favoured splitting, at the end of the chapter which you have just quoted, the Era Sezhiyan Committee has never gone into the question as to how this reorganisation and diversification could be gone through. My point is that if you have not utilised the efficiency of the existing organisation, then how will you be able to utilise the efficiency of different organisations?

MR. CHAIRMAN: On the basis of the findings of the Era Sezhiyan Committee this Bill has been formulated by the Government.

SHRI VITHALRAO MADHAVRAO JADHAV: The intention of splitting the Corporation is that it should work in rural areas. Competition in urban areas is already there. We want that this competition should be there in rural areas also. From that point of view what would you suggest viz. how, without decentralisation, will it go to the rural areas. And what is the non-priority sector?

DR. K. NAGARAJ: Profiteering is the sole consideration of a professional organisation and housing is not a profiteering investment.

SHRI NAND KISHORE BHATT: The present Government under no circumstances, wants to jeopardise the right of the workers. What you said earlier about jeopardising the workers' right, is not correct. In a country like the United States, there are 50 companies and they are earning tremendous profits. At the same time, by decentralisation, we do not mean to curtail the rights of the workers. The idea is to give better service to the policy-holders and to take the life insurance to rural areas.

SHRI V. K. RAMACHANDRAN: From the beginning to the end the objectives in the United States are different from here. As for the second part, the onus of proving that splitting will improve the efficiency is on those who are piloting the Bill. Whereas we could not have expected from the Government to attempt to counter it. On the other hand, they have put the onus on the people to show why the split is not beneficial. Whereas, already a case has been built for the unitary structure and this case has been established for the last 30 years. The tables are turned in a manner which is not quite encouraging.

SHRI SATISH AGARWAL: To make the record straight for all times to come, I would like you to put on record in brief the history of this particular organisation, the date of its inception, its functions, role and the studies conducted on that, by which we can evaluate your evidence in that particular background. In brief you may state about it here right now.

MR. CHAIRMAN: You can submit a fresh note on that.

SHRI SATISH AGARWAL: Emphasis has been laid by everybody that LIC has failed to reach the rural areas and this anxiety has taken the shape of this particular Bill proposed by the present Government to split the LIC in order to effectively realise the objectives of nationalisation by reaching it to the rural areas. If this emphasis had been laid and placed before the LIC some years back, probably the LIC would have reached the rural areas more effectively now and there would not have been any complaints on that score. Do you think that the LIC as a unitary organisation would better achieve these objectives than the organisation which is split into five zones?

MR. CHAIRMAN: Please note there are certain other objectives too.

SHRI V. K. RAMACHANDRAN: We agree with you.

SHRI SATISH AGARWAL: Are you a policy-holder?

SHRI V. K. RAMACHANDRAN: No.

SHRI SATISH AGARWAL: You are aware of the formalities in taking a policy. 70 per cent of the population in the rural areas is illiterate. So, with the existing formalities, the doctor's certificate, the declaration, and later on if any particular declaration is found to be defective by somebody falling ill and consequently dying, death claims are being dishonoured by the LIC and also because of the chances of policies being lapsed in rural areas the LIC has not been popular there. Unless some specific provisions for the rural areas are made in the Bill simplifying its own procedure for getting a policy, doing away with doctor's certification of medical fitness, payment of claims etc. etc., I think we will not be able to achieve the objectives of spreading the message of insurance in the rural areas.

SHRI RAMESHWAR THAKUR: There were some observations made earlier that in regard to the bank advances it was much easier and there is a lengthy process in respect of LIC working in urban areas. Now, the message of banking has gone to the rural areas. In rural areas banking has made good strides. Do you feel that LIC can also make good strides in the rural areas?

SHRI SATISH AGARWAL: You must keep in mind that in LIC, unlike banks declarations are to be made and the premium made. And also here once the policy lapses, it is difficult to revive it. There is no similarity with the banking organisation according to me.

SHRI V. K. RAMACHANDRAN: Now, I will answer Mr. Thakur's question. Actually when we see the advances of banks in the countryside, one real problem of advancing in the rural areas arises because of bureaucratisation of procedure. As far as your point is concerned, I think that in spite of many of these objectives of getting into the rural areas,

it is not a question of incorporating them in this Bill, but implementing them. As a matter of fact, there is nothing which prevents the LIC to go into the rural areas. In this Institute we have been working on the systems of social security covering various types of security. One of the things that we have been talking about has been simple group insurance schemes with much less formalities through the Life Insurance Corporation using the existing cooperative structure and the panchayats. We feel, for using such institutional outlets, simple group insurance scheme is the solution. We have studied about simplifying the procedure of life insurance, and we have learnt that there is nothing in the structure of LIC today which prevents implementation of the simplified procedure. If such programmes are popularised, then the unitary structure becomes an advantage. You have decentralised structure which takes note of the specific needs of specific localities and if you have unitary structure, it will balance everything.

MR. CHAIRMAN: If you read clause 9(2), you will find that there should be an intrinsic development. That means, you go to the villages for a better service to the policy-holders.

DR. K. NAGARAJ: Our point is that getting into rural areas needs proper emphasis. Secondly, proper decentralisation procedures will do well and thirdly, there should be less of bureaucratisation. About procedures, so far as the rural areas are concerned, there are so many formalities. Thirteen forms have to be filled by a poor village farmer. So, even the setting up of rural branches will not help.

SHRI M. ARUNACHALAM: Do you agree that the quality of service rendered to the policy holders for the past 27 years is not upto expectations under the existing system of centralization, compared to the other decentralised financial institutions?

SHRI V. K. RAMACHANDRAN: We believe that there must be decentralization in the sense of devolution

of executive powers and not the haphazard splitting of a unitary organization.

SHRI JANARDHANA POOJARY: You had said that this re-organization would affect the planning process. LIC allocates funds at the disposal of Planning Commission. How do you say that this planning process will be affected?

DR. K. NAGARAJ: We do not say that LIC does not play a role. We say that the impact of splitting LIC on the planning process is extremely deleterious.

SHRI JANARDHANA POOJARY: Do you have any objection to the word 'split'?

DR. K. NAGARAJ: We are against the act of splitting, because it goes against the social objective of planning. But it does play an extremely crucial role in planning to-day, being the major investor in our country, and mopping up the surplus in rural areas. We feel the split would vitiate the whole process of planning in rural areas.

SHRI JANARDHANA POOJARY: The Chairman said there would be intensive development in a particular region. Premium amounts will flow which, in turn, will be made available to the Planning Commission.

DR. K. NAGARAJ: For that purpose, why do you need to split LIC?

MR. CHAIRMAN: Thereby, there can be more branches in rural areas.

DR. K. NAGARAJ: How does centralization come in the way of opening branches in rural areas?

SHRI SATISH AGARWAL: You cannot question the Committee, in reply to a question.

SHRI V. K. RAMACHANDRAN: The answer to hon. Member's question was given through a question.

SHRI JANARDHANA POOJARY: There will be close monitoring, close supervision and close contact with the management, when there are zonal corporations.

DR. K. NAGARAJ: What you say is decentralization; and for that, splitting up of the existing LIC is not necessary. That is the point.

SHRI SATISH AGARWAL: Don't forget to give the note you had promised.

SHRI JANARDHANA POOJARY: I hope you are not against decentralization.

DR. NAGARAJ: We have made it very clear that we are not against decentralization.

MR. CHAIRMAN: Please send that note in a week, and also IFMR's report you had referred to. Thank you very much.

(The witnesses then withdrew.)

II. South Zone Insurance Employees' Federation, Madras.

Spokesmen:

1. Shri N. M. SUNDARAM, General Secretary.
2. Shri Rajappa, Joint Secretary.
3. Shri T. Raja Rao.

(The witnesses were called in and they took their seats.)

MR. CHAIRMAN: Before you start, I may point out that in accordance with the provisions contained in Direction 58 of the Directions by the Speaker, your evidence shall be treated as public, and is liable to be published, unless you specifically desire that all or any part of the evidence given by you is to be treated as confidential. Even though you might desire your evidence to be treated as confidential, such evidence is liable to be made available to the Members of Parliament.

I hope you have signed this.

Now, do you represent one union?

SHRI N. M. SUNDARAM: I represent one of the unions in LIC, which

represents the overwhelming majority of employees.

MR. CHAIRMAN: What is the decision taken by your union regarding this Bill?

SHRI N. M. SUNDARAM: We oppose this Bill.

MR. CHAIRMAN: Do you oppose each and every clause of the Bill?

SHRI N. M. SUNDARAM: We are opposed to the concept of this Bill.

MR. CHAIRMAN: You have mentioned clauses 1, 2 and 3.

SHRI N. M. SUNDARAM: We are opposed to the clauses which we think are detrimental to the working of the Corporation, and are against the interests of the employees.

MR. CHAIRMAN: Are you working in the LIC? Which post are you holding there?

SHRI N. M. SUNDARAM: I am working as a Section Head in the Divisional Office in Madras. My friend is an Assistant in the Divisional Office. Also my other colleague is working as an Assistant in that office.

MR. CHAIRMAN: We learn from newspapers that after the introduction of this Bill, the work which is going on in your office is not to the satisfaction. Is it correct? This is a news appeared in the *Hindu*. Is it correct that Class IV employees are not working to the satisfaction because of the introduction of this Bill?

SHRI N. M. SUNDARAM: It would not be correct. We certainly do not agree with this Bill as we feel that it will affect the institution. In that connection we have been organising our opposition to the Bill.

MR. CHAIRMAN: You have got every right. Are you aware of the Act?

SHRI N. M. SUNDARAM: We are aware of it.

MR. CHAIRMAN: You know that this Act has been passed by Parliament.

SHRI N. M. SUNDARAM: That is true.

MR. CHAIRMAN: Do you agree with this?

SHRI N. M. SUNDARAM: We are totally opposed to this.

MR. CHAIRMAN: Parliament is a supreme body. You must respect the Act. It seems you have taken the case to the Supreme Court. You have not succeeded in that.

SHRI N. M. SUNDARAM: Yes, Sir.

MR. CHAIRMAN: This is the final decision of the Court.

SHRI N. M. SUNDARAM: We beg to differ from that.

MR. CHAIRMAN: After all, the judgment of the Supreme Court is the law of the land.

SHRI N. M. SUNDARAM: That is true.

MR. CHAIRMAN: You, as a citizen of India, must respect that law. Now I put the question to you. This is the Act passed by Parliament. You moved the Supreme Court and you had lost your case.

SHRI N. M. SUNDARAM: That is true.

MR. CHAIRMAN: Now Government wants to frame certain rules and bye-laws for the LIC employees. Will you please agree with the rules or regulations?

SHRI N. M. SUNDARAM: No Sir.

MR. CHAIRMAN: I would like to hear from you. There are rules and regulations and Bills passed by Parliament. You are supposed to act according to those rules and bye-laws.

SHRI N. M. SUNDARAM: As a free citizen, I feel aggrieved on the objectives.

MR. CHAIRMAN: That is true. My question is this. These rules, regulations and bye-laws are passed by the Parliament and they are placed on the Table of the House. You should respect them. Every citizen of the

country has to abide the bye-laws, regulations and rules.

SHRI N. M. SUNDARAM: Abiding by them is one thing and feeling aggrieved is another thing. We feel aggrieved because the collective bargaining right has been taken away.

MR. CHAIRMAN: The objective of the Bill which has been passed by Parliament is clear. In the interest of policyholders and to control the cost of administration, this Act was passed. The objective to serve the policy-holders to their satisfaction was not achieved. We have failed to achieve the objectives of the Act of 1956.

SHRI N. M. SUNDARAM: May I express my views?

MR. CHAIRMAN: We shall hear you. You have given a detailed memorandum and it contains the views. I have read your memorandum consisting of 69 pages. Do you agree with the rules and regulations framed? Have you approached the Committee on Subordinate Legislation?

SHRI N. M. SUNDARAM: We are aggrieved in the sense that the rights available under the Industrial Disputes Act to all the other undertakings are denied to us. We therefore are aggrieved with the Act itself. That does not mean that we do not respect Parliament.

MR. CHAIRMAN: Do you agree with the principle of equal pay for equal work?

SHRI N. M. SUNDARAM: We agree.

MR. CHAIRMAN: You know what are the remunerations that are paid to the L.I.C. drivers

SHRI N. M. SUNDARAM: Yes, Sir.

MR. CHAIRMAN: It is more than Rs. 1,400 (total).

SHRI N. M. SUNDARAM: No, Sir. May I mention the facts? The lowest paid employee in the L.I.C. is getting Rs 646 whereas the emoluments in

the public sectors are much higher. When. You mention about equal pay for equal work and when you make a comparison with the public sector employees, we say that here we are only dealing with the lowest paid employees.

MR. CHAIRMAN: The services rendered by your Corporation are not to the satisfaction of the policy-holders.

SHRI N.M. SUNDARAM: I would not say that. There is scope for improvement. The fact remains that the expense ratio is coming down.

MR. CHAIRMAN: Why are you opposed to the decentralisation?

SHRI N. M. SUNDARAM: We are not opposed to the decentralisation. There can be decentralisation within the monolithic LIC.

MR. CHAIRMAN: If the LIC is split into five, is it not decentralisation?

SHRI N. M. SUNDARAM: Why? There are other provisions of the Bill. In fact these would result in over decentralisation by the Government.

MR. CHAIRMAN: If we split that into five, the employees will have better chances of promotion.

SHRI N. M. SUNDARAM: We beg to disagree with this. We do not think so.

MR. CHAIRMAN: Do you agree that there will be intensive development of the areas?

SHRI N. M. SUNDARAM: I may be permitted to mention about the Southern zone. This will be detrimental to the interests of the South zone and the policy-holders. I would like to elucidate this if you will permit me.

MR. CHAIRMAN: You do not agree with the principles. You have not left a single point in your memorandum. If you want to add anything more than what you have stated in your memorandum, you may do so. This

Committee would like to hear that. I thank you for the work that you have done. Mr. Sundaram, you have done a marvellous job so far as this Union is concerned.

SHRI N. M. SUNDARAM: We hope so.

MR. CHAIRMAN: Mr. Rajan is very much pleased to hear you. You want to serve the policy-holders to their satisfaction.

SHRI N. M. SUNDARAM: We would very much want to serve the policy holders.

SHRI BAPUSAHEB PARULEKAR: Are we to hear or to express the opinion?

MR. CHAIRMAN: Nobody has expressed his opinion. I want to seek clarifications. If you want to add anything more to what you have stated in your memorandum, you can do so.

SHRI N. M. SUNDARAM: If you analyse business transactions in southern zone, it is covering the lower strata of people in the sense that the business in the rural areas is more. To be precise, the rural business is 43 per cent. Similarly, the percentage of the salary savings scheme business which benefits the salaried employees, the lower income group employees, also comparatively higher i.e. 29.7 per cent. The per policy premium is also the lowest in the southern zone. If you take the new policy, in 1982-83 in southern zone per policy premium was 712 as against 1039 in the northern zone. This indicates that the southern zone in particular has been subserving the objective of the LIC Act much better comparatively speaking.

The processing of rural business is costly. Despite that the southern zone efficiencywise is comparatively better. It is accepted by the management. The number of policies is more. The number of complaints is less. So, the renewal percentage is 11.56 per cent.

Notwithstanding the operational efficiency, there are other factors like rural, business, business transacted in

salary saving scheme, business transacted per policy premium secured by the LIC and all these contribute to the increase or decrease in the premium. If it is split the policy-holders of southern corporation would be put to a disadvantage.

MR. CHAIRMAN: Better you submit this paper to the Committee.

SHRI N. M. SUNDARAM: Yes.

SHRI BRAJAMOHAN MOHANTY: You are very much perturbed that the collective bargaining right of the employees working in the corporation is being taken away. Do you want to say that the Government servants should be given the right of collective bargaining?

SHRI N. M. SUNDARAM: They should be given this right.

SHRI BRAJAMOHAN MOHANTY: Are you aware that not only the Government servants have been denied the right of collective bargaining but the employees of the public sector undertakings who are considered as creation of instrumentality of the State have been denied this right?

SHRI N. M. SUNDARAM: In public sector they have been given the right of collective bargaining.

SHRI BRAJAMOHAN MOHANTY: What is the view of your union regarding uniform wage policy or rationalisation of wages for all the employees in the public sector?

SHRI N. M. SUNDARAM: We agree. In fact, we have been pointing out that the truncated comparison excluding other factors would be bad. We wanted an overall comparison. We want complete rationalisation and not partial nationalisation.

SHRI K. N. RAJAN: How far the judgement of the Supreme Court conform to clause 68 of the Bill?

SHRI N. M. SUNDARAM: The Supreme Court has held that collective bargaining right cannot be taken away by the Government.

SHRI K. A. RAJAN: Recently this collective bargaining right issue has been taken to ILO. Has ILO made any observation on that?

SHRI N. M. SUNDARAM: Yes, this was taken to the ILO and relevant quotations we have given in the memorandum.

SHRI BRAJAMOHAN MOHANTY: The question is whether the ILO is canvassing that the Government servants should have the collective bargaining rights.

SHRI N. M. SUNDARAM: Yes.

श्री राम लाल राही : अभी चेयरमैन साहब ने प्रश्न किया तो आपने स्पष्ट रूप में बताया है कि आप विभाजन के क्षेत्र में नहीं हैं परन्तु डि-सेन्ट्रलाइजेशन आप चाहते हैं, यह बात भी आपने कही है। आपने कहा है कि आप विकेंद्रीकरण चाहते हैं। एल आई सी से संबंधित जो पुराना ऐक्ट है उसमें इस बात की व्यवस्था है कि हरल एयरथाउ में भी एल आई सी जा सकता है लेकिन वह बात हो नहीं पाई और इसी बात को देखते हुए यह बिल संसद में प्रस्तुत किया गया है। इस बिल के पीछे साफ उद्देश्य है कि एल आई सी ग्रामीण इलाकों तक पहुंचे। मैं आप से यह जानना चाहता हूँ कि जॉबन बोमा का राष्ट्रीकरण होने के बाद अभी तक यह जॉबन बोमा नियम ग्रामीण क्षेत्रों तक नहीं पहुंच सका है तो इसके लिए कौन जिम्मेदार है? इसके लिए गवर्नमेंट जिम्मेदार है, एल आई सी के बैरिष्ठ अधिकारी जिम्मेदार हैं या बिजि मंत्रालय जिम्मेदार है—कौन जिम्मेदार है?

SHRI N. M. SUNDARAM: To my mind the main responsibility lies with the Government. And the management also cannot shirk the responsibility. Unless the new branches are opened in the rural areas, it is not possible to cater to the needs of the rural po-

pulation. That is the basic fact that should be accepted. But unfortunately it has not been possible in LIC because of the question of cost viability.

Now, the question is that if a branch is opened, whether it is viable or not. At that particular point of time, the then Finance Minister, Mr. C. Subramaniam pointed out that if cost is coming in the way of opening new branches and the Government shall be agreeable to earmark a portion of its divisible surplus to subsidise the cost of operations in the rural areas. But after that, the Government has not done anything on that. That is one aspect.

The second aspect is, automatically business cannot be procured from the rural areas because of the traditional preference of the rural folk. Those who have savings potential prefer physical assets rather than financial assets. They would rather possess a pair of bullocks with that money or put their money in the pumpsets, etc. rather than investing in financial assets. That is a natural constraint. But that could be overcome if more branches without insistence on cost viability are opened. For that the LIC is a monolithic structure. It cannot be blamed.

MR. CHAIRMAN: Do you say the Government is responsible for this?

SHRI N. M. SUNDARAM: Yes, Sir. The then Finance Minister has accepted it.

It has been published in the *Yogakshema* magazine of the LIC.

श्री राम लाल राही : इसी मन्दम में मैं आपसे एक बात और जानना चाहूंगा यह बिल जो आया है इसके पीछे जो उद्देश्य है उसको पूर्ण दूसरे मोर्चेजैसे भी हो सकता है जैसे कि हरल इरियाज में बैंक की शाखाएँ खोली गई हैं उनके द्वारा भी हो सकता है क्योंकि पर्यन्त यहो है कि ग्रामीण क्षेत्रों में भी लोगों द्वारा बचत हो सके। एल आई सी को पालिसीज में एक लिमिटेड बन होवे

है कि इतने सालों तक लगातार जमा करते रहेंगे तभी निजंगा । इसी तरह से बैंकों में भी है, वहां भी बचत को विभिन्न योजनाएँ चलती हैं जिनमें ग्रामीण लोग भी बचत कर सकते हैं । ग्रामीण क्षेत्रों में बैंकों को तरफ हो कुछ अधिक अट्रैक्शन दिखाई देता है । जो पोस्ट आफिसें खुले हैं उनको तरफ भी लोगों का अट्रैक्शन नहीं रजब कि गांवों में पोस्ट आफिसें खोलने के पीछे यही मकसद था कि गांव के लोगों के पास जो बचत हो उसको महीने या 15 दिन बाद पोस्ट आफिस में जमा करा दिया करें जोकि भविष्य में संकट के समय उनसे काम आ सके । लेकिन देखने में यही आ रहा है कि ग्रामीण क्षेत्रों में लोगों को एल आई सो को तरफ कोई एट्रैक्शन नहीं है और न ही पोस्ट आफिसें को तरफ है । इसलिए पोस्ट आफिसें में भी बहुत कम खाते खुल हुए हैं । अलबता बैंकों को तरफ कुछ ज्यादा अट्रैक्शन है क्योंकि वहां से वे जब भी चाहें पैसा निकाल सकते हैं और जमा कर सकते हैं जबकि पोस्ट आफिसें और एल आई सो में यह बात नहीं है । तो इस सम्बन्ध में आपका क्या विचार है ?

SHRI N. M. SUNDARAM: To the extent I could understand him, the facility given by banks is not available in the post office or for that matter, in the LIC. That is true, that can be overcome because life insurance caters to the particular needs of the people. Somebody must have a saving capacity. Then, perhaps, he would put it against death. So, if we can evolve schemes suited to the rural population, cheaper schemes, more attractive schemes, which will facilitate seasonal payment of premium, not regular payment of premium, apart from operating new offices in the rural areas, then we will be in a position to go into the rural areas.

SHRI BAPUSAHEB PARULKAR: My first question is with respect to the effect of the transfer to corresponding corporations of policies issued by different corporations. Please refer to paragraph 5(2) in First Schedule, which gives an option to the policy-holder to select a corporation where his policy should be transferred. Please see sub-paragraph 5(3), also.

The point is that if the western zone is the best zone, and people feel that policy-holder will get a better bonus from it, then the policy-holders in the other zones will opt for that zonal corporation. There may be no policy left for some corporations then.

SHRI N. M. SUNDARAM: It will have dangerous consequences for the other corporations. They will go bankrupt. This is one reason why we feel that the option which has been given, to be exercised within six months, is actually illusory because, to the extent we all know about the intricacies of assets and liabilities, and of distribution, the policy-holders may not know the correct position. They are kept completely in the dark about the relative financial viabilities of the different corporation. They do not know that servicing by the southern zonal corporation is better, but its expense ratio is higher. But in the case of the western zone, it may be the other way.

SHRI BAPUSAHEB PARULKAR: There is a period of limitation, viz. six months. People who know which zone is better, will opt for the better zone. Do you want this clause to be amended? If you feel that the other corporations should also be made to function, this right should not be given to policy-holders.

SHRI N. M. SUNDARAM: I cannot suggest that, because policy-

holders today enjoy equal bonus. No amendment to that clause will suffice.

The Bill should be dropped.

SHRI BAPUSAHEB PARULEKAR: What should be done then?

SHRI N. M. SUNDARAM: About 30 per cent of the business is from salary savings. We expect the employer to deduct the premium and remit it to LIC. Suppose there are banks having branches throughout the country; if this option is given, there will be complete chaos with respect to 30 per cent of the business.

SHRI BAPUSAHEB PARULEKAR: Do you really feel that the Board will be an apex body?

SHRI N. M. SUNDARAM: No; it will be so just in the nomenclature, because whatever functions are earmarked for the Board, superimposing functions are there with the Government. The determination of the jurisdiction of a branch or a divisional office, which is essentially a managerial functions, is taken away by Government. It cannot be done without Government's permission. Similarly determination of cadre strength is also taken away by Government. Powers in respect of service conditions are also with Government.

SHRI BAPUSAHEB PARULEKAR: Do you feel that whatever decisions are taken by the Board, can be enforced?

SHRI N. M. SUNDARAM: They cannot be enforced.

SHRI BAPUSAHEB PARULEKAR: So, you say it will remain only an advisory body depending upon the funds made available by corporation. Now, I refer you to paragraph 20 of your memorandum. If you refer to clause 20 regarding

the functions of the Board, do you find anything in that clause by which the decisions of the Board can be enforced?

SHRI N. M. SUNDARAM: No decision of the Board, as it is, can be enforced.

SHRI BAPUSAHEB PARULEKAR: Even if the process of decentralization or splitting up is there, how much thrust will the corporations make in rural areas, from the point of view of economic and social objectives.

SHRI N. M. SUNDARAM: Experience of various zones is different. If the southern zone can get 43 per cent of rural business, there is no reason why other zones cannot achieve it.

SHRI BAPUSAHEB PARULEKAR: What is the rural business figure for Tamil Nadu?

SHRI N. M. SUNDARAM: I do not have it just now.

SHRI RAMESHWAR THAKUR: Your Federation is the largest one according to you, of insurance workers particularly in the south you say that with the object and reasons of the Bill you have absolutely no quarrel whatsoever, and that on the contrary you stand committed to these objects ever since nationalization. So, can we take it that as far as the objects and reasons of the Bill are concerned you have no objection?

SHRI N. M. SUNDARAM: No, objection, Sir.

MR. CHAIRMAN: On page 2 of your memorandum you have clearly stated that you stand committed to the objectives.

SHRI SATISH AGARWAL: My second question is based on that.

MR. CHAIRMAN: With regard to the objectives, they have agreed.

SHRI RAMESHWAR THAKUR: You have stated the objectives as follows:—

"1. Spread of message of life insurance as far and wide as possible reaching out beyond the more advanced urban areas well into the hitherto neglected rural areas;

2. Effective mobilisation of people's savings;

3. Complete security to policy-holders;

4. Prompt and efficient service at the door-steps of the policy-holders, meaning thereby effective decentralisation and opening of branches in all parts of the country.

5. Conduct of business with utmost economy and full realisation that the money belongs to the policy-holders;

6. Investment of funds in such a way as to secure maximum yield consistent with the safety of capital;

7. Economic premium rates;

8. Development of dynamic and vigorous organisation under a management conducted in spirit of trusteeship; and

9. Formulation of scheme of insurance to suit different sections of the community;"

If you think that these are the objectives to which you are committed and you are agreeable, then, you have no quarrel whatever. If you take the Bill in a proper perspective, it is to achieve these objectives. After going through your memorandum as also the objectives narrated therein to which you are committed, my question is whether these can be achieved in a better way as per the provisions of the Bill. You agree to the objective of the spread of message of insurance to the rural areas. Don't you think that this can be achieved better if there are five zones and they will be

in a position to reach the rural areas? The nationalised banks are able to spread the message of banking to the rural areas. Given this responsibility to the lead banks, they can take care of this responsibility of spreading the message to the rural areas.

SHRI N. M. SUNDARAM: We disagree with this.

SHRI RAMESHWAR THAKUR: You may disagree. In regard to servicing of the policy-holders. Committees after Committees have stated that there should be effective and proper decentralisation. There could not be any better way to achieve this except by splitting up the LIC into five zones.

SHRI N. M. SUNDARAM: I say some committees have spoken against it.

SHRI RAMESHWAR THAKUR: If you take the Committees recommendations out of context, I can't help that.

SHRI N. M. SUNDARAM: We are not taking these out of context.

SHRI RAMESHWAR THAKUR: You have said on page 18 para 10.1, of your memorandum as follows. I quote:

"that is why our parent organisation, the All India Insurance Employees' Association, has been laying great stress on this aspect of decentralisation for a very long time, in fact, from the inception..."

Is it not a better way to have decentralisation by splitting this into five zones?

SHRI N. M. SUNDARAM: May I be permitted to elucidate on this? I beg to disagree with this. There is already a process of decentralisation going on in the present set-up. If it is given a fair trial, perhaps, the decentralisation will work well. Apart from that, in regard to opening of more branches, something should be done. This has nothing to do with the splitting up of the Corporation. You were

referring to the Era Sezhiyan Committee Report. It has not emphasised on this subject. Its emphasis was on decentralisation and it pointed out that naturally the tendency of apex body is to concentrate powers within itself. This is a desperate remedy.

SHRI RAMESHWAR THAKUR: You have stated in para 10.3 on page 19 of your memorandum that since 1981, a comprehensive scheme, called the organisation. Improvement Cell Scheme, has been evolved to effect complete decentralisation of powers and functions. The main recommendation of the Era Sezhiyan Committee is decentralisation of powers and functions which is being implemented already. So, you agree with that.

SHRI N. M. SUNDARAM: Not with the other part of the recommendation.

SHRI RAMESHWAR THAKUR: On page 158 of the Era Sezhiyan Committee Report, it has been stated as follows:

"In spite of large growth, efforts made for improving the service to policy-holders, achieving economy in management, the Life Insurance Corporation has not been able to fulfil most of its primary objectives."

The Committee has recommended that the existing zonal offices should be taken as non-competing corporations and their offices restricted to the present zones. All zonal corporations will work on that basis. If there are common premium rates and the policy conditions, what is your opinion about that? You also referred to the basic recommendation about decentralisation as also the final recommendation of that Committee.

SHRI N. M. SUNDARAM: Ever since the Era Sezhiyan Committee went into the functioning of the L.I.C., the expense ratio has tremendously gone down to 9.8 per cent. Within the monolithic structure of the LIC. To achieve economy is not possible by this experimentation.

SHRI RAMESHWAR THAKUR:

The question is about the South Zone. You were good enough to say in the very preamble that the South Zone is a biggest zone in the L.I.C. It is biggest in regard to business mopping up, biggest in number of policy-holders, biggest in terms of number of branches as well as the number of employees.

I would like to hear from you one thing. If South Zone is formed as per the LIC 1983 Bill, it will be better in all respects—area-wise as well as business-wise—the number of policy-holder-wise. Then why do you have apprehensions that the South Zone will be in a disadvantageous position I ask this question in view of the above facts.

MR. CHAIRMAN: Let him answer the question with reference to the facts stated.

SHRI N. M. SUNDARAM: With all these advantages if we are opposing this Bill, we have our own reasons. We say that the expenditure ratio is high not because there is inefficiency, but because of the fact that there is rural thrust. The objectives of nationalisation have been comparatively speaking subserved.

According to actuaries, one per cent increase would mean Rs. 3 reduction in bonus per thousand policy. And the expense ratio variation between southern zone and western zone is about 3 per cent. That means, there is about Rs. 9 variation. Naturally that would be to the disadvantage of the policy-holders.

SHRI RAMESHWAR THAKUR:

You are saying from the point of view of all India objective. Would you agree that in other areas where LIC has not gone to the rural areas, it will go to the rural areas when it is decentralised? On the contrary it will result in neglect of rural areas.

MR. CHAIRMAN: If the employees of the LIC work to the satisfaction of the policy-holders and devote their time and energy, it will greatly reduce the expense ratio. When I visited

your office myself, I found that the employees did not work more than 2 hours in a day. If we split the Corporation into five units there will be close monitoring. If that is there, do you not think that the expense ratio will come down?

SHRI N. M. SUNDARAM: We are committed to give better service to the policy-holders. But for employees cooperation the LIC would not have progressed so far. But I do not say that there is no scope for improvement.

MR. CHAIRMAN: You know the number of complaints and you also know that the complaints are not registered in divisional and branch offices. In the last 15 days the employees and the officers of the LIC have not been working at all.

SHRI N. M. SUNDARAM: I do not agree with that.

MR. CHAIRMAN: Do you know the system of registering complaints?

SHRI N. M. SUNDARAM: Yes.

MR. CHAIRMAN: What is the number of complaints in Madras?

SHRI N. M. SUNDARAM: I do not know.

MR. CHAIRMAN: In order to bring efficiency in the Corporation it is better that it should be split up.

SHRI N. M. SUNDARAM: You can hold that opinion.

SHRI VITHALRAO MADHAVRAO JADHAV: I have got a complaint from the officers that the employees do not work because their services are not transferable.

SHRI N. M. SUNDARAM: You are misinformed.

MR. CHAIRMAN: Can you give figures of the Class III and IV employees who were transferred in the last three years?

SHRI N. M. SUNDARAM: That has nothing to do with efficiency.

MR. CHAIRMAN: If the service to the policy-holders is poor, the

blame comes to the management as well as the employees. Please cooperate with us.

SHRI N. M. SUNDARAM: Our commitment is to policy-holders and to nobody else.

MR. CHAIRMAN: If claims are not settled in time, whom do we blame?

SHRI N. M. SUNDARAM: Our performance is much better than in the private sector.

MR. CHAIRMAN: We, the representatives of the people, come in contact with the policy-holders, we come in contact with the employees of the Life Insurance Corporation, we visit those offices, we know their functioning very well and therefore, this Bill of 1981 was passed for that very reason and you have challenged that Bill and still the Supreme Court has given a good judgment on that.

SHRI N. M. SUNDARAM: We disagree with you.

MR. CHAIRMAN: All right, that is another thing. You may disagree. I would like to know why this Bill has been brought before Parliament for a particular object. We want to know what is the purpose of bringing this Bill.

SHRI K. A. RAJAN: They have explained the position.

MR. CHAIRMAN: The Bill has been brought for that particular object and we want to know the views from you.

SHRI SATISH AGARWAL: Mr. Sundaram what is the total number of employees in the Life Insurance Corporation?

SHRI N. M. SUNDARAM: About 50,000 and odd people.

SHRI SATISH AGARWAL: Out of that number, about 80 per cent are Class III employees. Is it not?

SHRI N. M. SUNDARAM: About fortyseven thousand.

SHRI SATISH AGARWAL: Since 1953-56 when the insurance business was nationalised the number of individual policies was 48 lakhs, which has increased to 245 lakhs over the years. Is it not?

SHRI N. M. SUNDARAM: Yes.

SHRI SATISH AGARWAL: In terms of money, the business of insurance was increased from Rs. 380 crores to Rs. 8,600 crores. This is given in the Statement of Objects and Reasons. Now, the bulk of the credit for the increase in the Life Insurance Corporation's business over the years excepting certain deficiencies here and there must go to the bulk of the unions which are manning this organisation. How many unions are working in the organisation?

SHRI N. M. SUNDARAM: There are five unions. There is no affiliated union to CITU.

SHRI SATISH AGARWAL: What according to you should be the percentage of the total Class III and Class IV employees who are opposed to this?

SHRI N. M. SUNDARAM: Hardly 1 per cent would be in favour of it. I know our Union membership, I know generally the membership of the other Unions. The membership of our Unions is 75 per cent of the total employees throughout India. On an all-India basis, 75 per cent employees constitute our Union. There is an All India Life Insurance Federation whose membership is 9 to 10 per cent of the total staff. There is the All India Life Insurance Employees Association which has hardly 3 to 4 per cent of the staff.

SHRI SATISH AGARWAL: Now, may I take it that so far as Class III and Class IV employees are concerned, on an all-India basis, at least 95 per cent of the employees are oppos-

ed to the split of the Life Insurance Corporation?

SHRI N. M. SUNDARAM: Absolutely.

SHRI SATISH AGARWAL: Are you aware of Class I and Class II Associations who have supported the split?

SHRI N. M. SUNDARAM: No.

SHRI SATISH AGARWAL: Excepting the top management, Managers and Chairmen etc. practically the whole administrative set up of the Life Insurance Corporation, the whole personnel concerned, practically 98 per cent of it is opposed to the split of the Life Insurance Corporation. Is it not?

SHRI N. M. SUNDARAM: Yes.

SHRI SATISH AGARWAL: Do you agree with the statement of mine that by more centralisation of powers the objects can be very well achieved?

SHRI N. M. SUNDARAM: Yes, very well achieved.

SHRI SATISH AGARWAL: After the submission of the Era Sezhiyan Committee Report, much of operational efficiency of the Life Insurance Corporation has been brought in. Do you agree with this statement of mine?

SHRI N. M. SUNDARAM: I agree with you.

SHRI SATISH AGARWAL: Do you agree with the statement of mine that after the submission of the report of the Era Sezhiyan Committee the Government has laid more emphasis on going into the rural areas and all the zones have made a thrust into the rural areas?

SHRI N. M. SUNDARAM: Yes.

SHRI SATISH AGARWAL: Do you agree with the statement of mine that without the split of the Corporation all the objects mentioned in the Bill such as spread of business

in the rural areas for better service to the policy-holders, and operational efficiency can be achieved within the present framework of the monolithic structure of the Corporation?

SHRI N. M. SUNDARAM: I agree.

SHRI SATISH AGARWAL: You referred to some statement of the former Finance Minister, Mr. C. S. Subramaniam. Are there any minutes of that?

SHRI N. M. SUNDARAM: It has appeared in the Yogakshema magazine of the Life Insurance Corporation.

SHRI SATISH AGARWAL: Can you make it available to us?

SHRI N. M. SUNDARAM: It is the October, 1976 issue. We can submit a copy of that.

SHRI SATISH AGARWAL: In that particular statement which had appeared in the magazine, the former Finance Minister, Mr. C. Subramaniam, agreed to the proposal that the cost viability should not be a criterion and the Government would agree to earmark a portion of the divisible surplus to subsidise the cost of operations in the rural areas. But this decision has not been implemented. Is it not?

SHRI N. M. SUNDARAM: Yes.

SHRI SATISH AGARWAL: This is the reason why the LIC could not spread into the rural areas. Is it not?

SHRI N. M. SUNDARAM: Yes.

SHRI SATISH AGARWAL: The inefficiency of the staff is only an alibi and the management is responsible for not spreading the business into the rural areas. Do you agree?

SHRI N. M. SUNDARAM: Yes.

SHRI NAND KISHORE BHATT: I think you have committed a mistake while speaking about the organisational strength. Don't you think that gangsterism and harassment is being practised against members of the INTUC union?

SHRI N. M. SUNDARAM: I respectfully disagree with you. We have been victims of gangsterism.

SHRI NAND KISHORE BHATT: Is it possible for unions with 1 per cent membership to do anything against you? Anyway, are you not making a tall claim about your membership?

SHRI N. M. SUNDARAM: My statement can be verified by a secret ballot.

SHRI RAM PYARE PANIKA: There is a federation of SC and ST employees associations. What is the percentage of their membership?

SHRI N. M. SUNDARAM: There is no such federation. There is an association in various centres. It is not a trade union, but a welfare association.

SHRI RAM PYARE PANIKA: Do you know that they have supported this Bill? How do you say that only 1 per cent employees support this Bill?

SHRI N. M. SUNDARAM: There is not separate identity (Trade Union) called SC & ST Employees' Federation, or association. All the members of the SC & ST Association are members of one or the other trade union.

SHRI KUSUMA KRISHNA MURTHY: You said that LIC had spread to rural areas to a great extent. What is the percentage of LIC business in rural areas?

SHRI N. M. SUNDARAM: More efforts were made.

SHRI KUSUMA KRISHNA MURTHY: How does it compare, if you consider the growth in population?

SHRI N. M. SUNDARAM: Insurance is not directly related to growth in population. It has something to do with the earning and saving capacity.

SHRI KUSUMA KRISHNA MURTHY: More than 70 per cent of our population lives in rural areas.

SHRI N. M. SUNDARAM: Their saving potential is very little.

SHRI KUSUMA KRISHNA MURTHY: There may be a greater motivation. We feel that it is totally neglected.

MR. CHAIRMAN: The purpose of this Bill is to serve the policy-holders. It is not the question whether certain unions support or oppose it. If Parliament which is the supreme body takes decision, it is binding. If 70 crores of our people and their representatives support the Bill, it will be passed.

Anyway, thank you very much. You have put in a lot of labour. I very much appreciate the views you have given. You can send us in writing, information about the additional points. Thank you.

(The witnesses then withdrew.)

III. SHRI A. RAMACHANDRAN, BARRISTER-AT-LAW, ROW AND REDDY ADVOCATES, MADRAS.

(The witness was called in and he took his seat.)

MR. CHAIRMAN: Before we start, I may point out to you that in accordance with the provisions contained in Direction 58 of the Directions by the Speaker, your evidence shall be treated as public, and is liable to be published unless you specifically desire that all or any part of the evidence given by you should be treated as confidential. Even though you might desire your evidence to be treated as confidential, such evidence is liable to be made available to the Members of Parliament.

I hope you have signed this.

MR. CHAIRMAN: Are you a member of any political party?

SHRI A. RAMACHANDRAN: No. I am away from politics. Fifteen years ago, I was a member of the Communist Party.

MR. CHAIRMAN: You have given your memorandum. You have said

something about the Service Matters Tribunal. Do you want to elaborate on it?

SHRI A. RAMACHANDRAN: The Preamble to the Bill gives its objectives; it says:

"to provide, with a view to the more effective realisation of the objectives of nationalisation of life insurance business, for the dissolution of the Life Insurance Corporation of India and for the establishment of a number of corporations for the more efficient carrying on of the said business and for matters connected therewith or incidental thereto."

What I have stated in my memorandum is this. The language used in the body of the preamble is not clear. Nowhere it is stated as to what exactly is to be done to achieve a more effective realisation of the objectives of the nationalisation.

MR. CHAIRMAN: I am putting to you a specific question. In your memorandum, it has been mentioned that the present Bill does not spell out what exactly will be done to make the LIC to be more effective in its realisation of the objectives and for the efficient conduct of its business. In this connection, your attention is invited to the statement of objects and reasons in the Bill which are incorporated in the body of the Bill. Please elucidate your precise observations.

SHRI A. RAMACHANDRAN: I have not got a copy of the memorandum or the Bill. I was shown the Bill and now it has gone to the Union. So, I have not got a copy of it.

MR. CHAIRMAN: You will be given a copy of it by Office. You go through it.

SHRI A. RAMACHANDRAN: I have gone through it and I have returned the Bill.

MR. CHAIRMAN: All right. In your memorandum on pp. 1-2 you have referred to the so called notable achievements of the L.I.C. Are you aware that both in terms of the number of policies and in

terms of the sums assured, the LIC's progress has been good. So far as the achievements are concerned, would you like to make any comments?

SHRI A. RAMACHANDRAN: What I have stated in my memorandum is that the number of policies issued and the value of the total sums involved have gone up. Generally, there has been a total improvement in the working of the L.I.C.

MR. CHAIRMAN: What are the achievements in the working of the L.I.C.?

SHRI A. RAMACHANDRAN: I have not been asked to answer that question.

MR. CHAIRMAN: Can you give me the answer?

SHRI A. RAMACHANDRAN: Yes.

MR. CHAIRMAN: Tell us the number of claims pending and the number of complaints as also the amount adjusted?

SHRI A. RAMACHANDRAN: Even Era Sezhiyan Committee report has referred to the number of policies issued and disposal of claims made and they say that they compare favourably with those done in foreign countries like the U.K. and U.S.A.

MR. CHAIRMAN: You agree with the report of that Committee in toto?

SHRI A. RAMACHANDRAN: Yes, Sir. That is because they have made a study of it.

MR. CHAIRMAN: Thank you very much.

SHRI NAND KISHORE BHATT: You say that the LIC has made progress. You are satisfied with it. Has the LIC made any progress in regard to the rise in the GNP?

SHRI A. RAMACHANDRAN: Let me put it this way. If anyone earns a higher income he takes out a policy. There are many people in the villages who cannot think of having a policy at all. In terms of GNP, I do not think there is any deficiency.

For instance, I do not find any reference in regard to the achievement in effi-

ciency and economy in this Bill. The LIC units have been functioning for so many years and it is always presumed that there is efficiency and economy in the working of the LIC.

SHRI RAMESHWAR THAKUR: About the tribunal you have made some suggestions. They include those relating to clause 64 and so on. We want to know purely from the legal point of view, whether this Bill can be considered as sound and that it is not against our Constitution?

SHRI A. RAMACHANDRAN: I say that the unitary body has been in existence under the Act of Parliament for several years and if you want to improve the efficiency, you can do so by amending the Act. You can always bring about the amendment for that purpose. The Act has been amended from time to time. By dividing the Corporation into five, how can you expect the efficiency to go up? The idea is to run it economically. If you want to break this up into five zones, that process automatically involves more expenditure.

SHRI RAMESHWAR THAKUR: My question is very simple. As a member of the legal profession, my question to you is this. Have you gone through the LIC Bill 1983? I think you have made some suggestions in regard to some of the clauses of the Bill. Subject to these suggestions, do you find that the Bill is legally sound and it is in accordance with the provisions of our Constitution?

SHRI A. RAMACHANDRAN: I will put it this way. The courts have said that even if something is wanting in the language of the Act, no reason is to be found out by it. Legally, this Bill, when it becomes a law, can be enforced.

SHRI RAMESHWAR THAKUR: The reasons of the Bill are obvious—to achieve the objectives of nationalisation and to improve the efficiency of the corporation to reach the remotest corners of the country.

SHRI A. RAMACHANDRAN: The main objective of this Bill is to break up

the corporation into five zonal corporations.

SHRI RAMESHWAR THAKUR: That is not the objective.

SHRI BAPUSAHEB PARULEKAR: If you refer to page 14, the clarification given is a member of the Indian Legal Service. Have you heard of the Indian Legal Service?

SHRI A. RAMACHANDRAN: These words have been used for the first time and they should be defined.

SHRI BAPUSAHEB PARULEKAR: Under the present clause a person having served in the judicial service for 7 years only is qualified to become a member of the Tribunal.

SHRI A. RAMACHANDRAN: It is enough.

SHRI BAPUSAHEB PARULEKAR: We have said that the appeal should be provided to the High Court against the decision of the Tribunal. But the right of the employees to go to the court has been taken away. Do you agree with us? Are you satisfied with the right of appeal?

SHRI A. RAMACHANDRAN: No.

SHRI BAPUSAHEB PARULEKAR: A person can go to the Court under the Constitution. This right is available to every citizen. But why should this right of the employees to go to the civil court be taken away?

SHRI A. RAMACHANDRAN: There is an appellate tribunal.

SHRI BAPUSAHEB PARULEKAR: No appellate tribunal has been provided. Along with this if you see the Claims Tribunal, there the policy-holders has been given the right to approach a civil court. In addition to the right which is conferred on him under clause 27 sub clause 3, he can go to the court under the writ. But such a right has not been given to the employees. Do you not think that this amounts to discrimination?

SHRI A. RAMACHANDRAN: A claims tribunal will deal with the claims matter

quickly. The civil court will take quite a long time.

SHRI A. RAMACHANDRAN: The Claims Tribunal will quickly decide the matter and therefore, only the Claims Tribunal should decide.

SHRI BAPUSAHEB PARULEKAR: My question is, the right has been given to the policy-holders to go to a civil court and such a right is not given to the employees. So, why is the discrimination?

SHRI A. RAMACHANDRAN: There is no discrimination. I am only saying that you can go to the Tribunal.

MR. CHAIRMAN: I may point out to you that Article 323A of the Constitution says:

"(1) Parliament may by law, provide for the adjudication or trial by administrative tribunals of disputes and complaints with respect to recruitment and condition of service of persons appointed to public services and posts in connection with the affairs of the Union or of any State or of any local or other authority within the territory of India or under the control of the Government of India or of any corporation owned or controlled by the Government".

Article 323A (3) says:

"The provisions of this article shall have effect notwithstanding anything in any other provision of this Constitution or in any other law for the time being in force."

Do you agree with this?

SHRI A. RAMACHANDRAN: Yes, of course.

MR. CHAIRMAN: Now, I may point out to you that the first proviso to clause 32 (line 35 on page 17) of the Bill says:

"Provided that no application for the redressal of any grievance with respect to a service matter shall be entertained by the Service Matters Tribunal until the applicant has exhausted all the remedies available to him under

the rules, regulations or orders relating to the terms and conditions of his service, for the time being in force, for the redressal of such grievance;"

First he should go through this procedure. Then alone he can go to a Service Matters Tribunal. Do you agree with this?

SHRI A. RAMACHANDRAN: Yes, Sir.

MR. CHAIRMAN: Thank you very much. You have given your suggestions very well.

(The witness then withdrew)

(The Committee then adjourned)

RECORD OF EVIDENCE TENDERED BEFORE THE JOINT COMMITTEE ON THE LIFE
INSURANCE CORPORATIONS BILL, 1983

Friday, 25 May, 1984 from 0900 to 1300 hours at Conference Hall, 10th Floor,
New Secretariat Building, Madras.

PRESENT

Shri Mool Chand Daga—Chairman

MEMBERS

Lok Sabha

2. Shri Satish Agarwal
3. Shri M. Arunachalam
4. Shri Ghayoor Ali Khan
5. Shri Braja Mohan Mohanty
6. Shri Kusuma Krishna Murthy
7. Shri Ram Pyare Panika
8. Shri Janardhana Poojary
9. Shri Ram Lal Rahi
10. Shri K. A. Rajan
11. Shri Natversinh Solanki

Rajya Sabha

12. Shri Nand Kishore Bhatt
13. Shri Vithalrao Madhavrao Jadhav
14. Shri Sudhakar Pandey
15. Shri Rameshwar Thakur

SECRETARIAT

Shri R. S. Mani—Senior Legislative Committee Officer.

REPRESENTATIVES OF THE MINISTRY OF FINANCE (DEPT. OF ECONOMIC AFFAIRS)
(INSURANCE DIVISION)

1. Shri H. M. S. Bhatnagar—Additional Secretary.
2. Shri R. K. Mahajan—Controller of Insurance.
3. Shri S. G. Subrahmanyam—Executive Director (Investments).
4. Shri S. K. Purkayastha—Director (Insurance)

WITNESSES EXAMINED

I. Centre of Indian Trade Unions, Tamil Nadu State Committee, Madras:....

Spokesman:

Shri V. P. Chintan,
Vice-President.

II. The Hindu, Madras: ..

Spokesman:

Shri N. Ram,
Associate Editor.

III. Insurance Corporation Employees Union, Madras:**Spokesmen:**

1. Shri K. Natarajan
2. Shri A. V. Venkataraman
3. Shri K. Chandru

IV. Consultative Committee of the City Chambers of Commerce, Madras:**Spokesmen:**

1. Shri C. D. Vidyasankar
2. Shri V. Soundarrajan
3. Shri T. G. Krishnamurthy
4. Shri M. S. Sambasivson
5. Shri J. Prasad Davids
6. Shri Vasudevan.

V. South Zone Life Insurance Employees' Congress, Trivandrum**Spokesmen:**

1. Shri K. O. Thomas
2. Shri V. Ambalam
3. Shri S. Varadan
4. Shri M. V. S. Mani

I—Centre of Indian Trade Unions Tamil Nadu State Committee, Madras.**Spokesman :**

Shri V. P. Chintan

Vice-President.

The witness was called in and he took his seat.

MR. CHAIRMAN: Before we start, I may point out to you that in accordance with the provisions contained in Direction 58 of the Directions by the Speaker, your evidence shall be treated as public, and is liable to be published unless you specifically desire that all or any part of the evidence given by you should be treated as confidential. Even though you might desire your evidence to be treated as confidential, such evidence is liable to be made available to the Members of Parliament.

I hope you have signed this. Mr. Chintan, are you a member of any association?

SHRI V. P. CHINTAN: I am connected with a number of trade unions, of employees of Central Government, State Government and the private sector. I also belong to the Communist Party of India (Marxist). I am in the national movement and trade union movement for the last 45 years.

MR. CHAIRMAN: When life insurance was nationalized, you welcomed it. Did

you not?

SHRI V. P. CHINTAN: Yes.

MR. CHAIRMAN: Do you agree with the objects of this Bill?

SHRI V. P. CHINTAN: To the objectives of this Bill, I have some objections—from the points of view of both policy-holders and myself. The bulk of our members in the trade union movement are policy-holders. We are interested in this Bill as policy-holders. According to us, this Bill will not help us to protect the interests of the policy-holders. I am referring to the idea of splitting up the LIC. As a trade unionist, I am opposed to the provisions relating to collective bargaining.

MR. CHAIRMAN: What are the objectives of nationalization?

SHRI V. P. CHINTAN: At the time life insurance was nationalized, I completely agreed with the objective declared by Parliament. It is to improve operational efficiency of the institution, and also to avoid cut-throat competition which prevailed then.

MR. CHAIRMAN: Do you know that we have not achieved our objectives?

SHRI V. P. CHINTAN: I broadly believe that this objective has been achieved to a large extent. Operational efficiency has been improved to the maximum.

MR. CHAIRMAN: What is the number of complaints from the policy-holders at present?

SHRI V. P. CHINTAN: It will be negligible.

MR. CHAIRMAN: When Mr. Deshmukh moved the nationalization Bill in 1956, your party had agreed with the objectives of that Bill. At that time, Mr. Deshmukh had said this at the end of his speech:

"...If we find that one autonomous corporation does not work satisfactorily, then it would be open to us to change over to a number of corporations."

This is the view of the then Finance Minister. You said you agreed with that object.

SHRI V. P. CHINTAN: My statement does not mean that I agreed with all the things the Finance Minister said at that time.

MR. CHAIRMAN: Please state specifically whether you said anything against this particular part of the Finance Minister's statement at that time.

SHRI V. P. CHINTAN: As far as that statement is concerned, I broadly agree with it. My Communist Party supported it. But the present Bill and its objectives are a diversion, and a process contrary to those objectives. We are opposed to this Bill.

MR. CHAIRMAN: We are interested to know from you whether, at the time the then Finance Minister made certain observations by way of introduction, you said anything against it.

SHRI V. P. CHINTAN: I will come back to that point.

MR. CHAIRMAN: What is the number of claims pending before LIC?

SHRI V. P. CHINTAN: I have no specific idea.

MR. CHAIRMAN: Have you applied your mind, as far as the policy-holders' complaints are concerned? You make the data up-to-date. Have you gone through the Era Sezhiyan Committee Report?

SHRI V. P. CHINTAN: Yes, Sir.

MR. CHAIRMAN: Do you know the findings of this Committee?

SHRI V. P. CHINTAN: I have my own reservations about it. I have gone through that report. As far as policy-holders are concerned, there are complaints. I am not concealing that part of the story.

MR. CHAIRMAN: Do you know when was that appointed? It was appointed in the year 1979 which consisted of experts. It has given its report. Have you gone through that or not?

SHRI V. P. CHINTAN: I have gone through the report.

MR. CHAIRMAN: I want a clarification from you. One of its findings was that 'in spite of large growth in its business, efforts made for improving its services to policy-holders and—achieving economy in management, the Life Insurance Corporation has not been able to fulfil most of its primary objectives. The Committee is convinced that the present unitary inhibiting progress. Some of the major structure has been a major factor in considerations which have led the Committee to arrive at this conclusion are given below:....

In the light of the above, the Committee had come to the conclusion that it is desirable that the LIC should be split up into five zones. This is the finding of the Era Sezhiyan Committee Report consisting of experts. Do you agree with the findings?

SHRI V. P. CHINTAN: I disagree with the findings of this Committee.

MR. CHAIRMAN: Have you appeared before that Committee?

SHRI V. P. CHINTAN: At that time I did not appear since I did not have the opportunity to do so.

MR. CHAIRMAN: Have you made any observation in the paper? And when you give the views in particular that you do not agree with the views expressed by the Era Sezhiyan Committee, may I know in

which paper have you expressed your views?

SHRI V. P. CHINTAN: There are a number of statements made by my party.

MR. CHAIRMAN: I am asking particularly from you—not from the other people. My point is: have you given your views in any paper or written an article which has been published against these findings?

SHRI V. P. CHINTAN: The party I represent has objected that it is totally opposed to the recommendation of the split-up of the LIC into five zones. We have totally opposed it.

MR. CHAIRMAN: Have you any documentary evidence? Please try to understand me. Are you an employee of the LIC?

SHRI V. P. CHINTAN: I am not an employee of the LIC.

MR. CHAIRMAN: Are you a leader of the Union?

SHRI V. P. CHINTAN: I am not connected with the LIC Employees' Union. I am connected with the CITU—the Communist Party of India (Marxist).

MR. CHAIRMAN: Tell me when was the Committee Report published? When did you express your views on the Era Sezhiyan Committee Report?

SHRI V. P. CHINTAN: We expressed our views. I don't remember the time.

MR. CHAIRMAN: It was published in 1981. I want to know whether you have gone through it. You have prepared a memorandum. You have stated therein in so many words that the finding of the Era Sezhiyan Committee is against certain principles or objectives. Have you made your views known in any paper?

SHRI V. P. CHINTAN: Our Party's organ has openly declared on the floor of the House; I shall send you the documents as also the resolution of the CITU condemning this particular proposal of splitting the LIC into five Zones.

Sir, you are all eminent people. We are humble. We have expressed our views.

MR. CHAIRMAN: Is it your own view? I want to know whether it is your or your party's views that you disagree with the views expressed by the Era Sezhiyan Committee Report?

SHRI V. P. CHINTAN: As far as that part of the findings of the Era Sezhiyan Committee Report is concerned, it is erroneous. We do not agree with it.

MR. CHAIRMAN: All right.

Now, I am putting to you a question as to whether you feel that the service to the policy-holders by the LIC is satisfactory.

SHRI V. P. CHINTAN: I cannot say that this is completely satisfactory.

MR. CHAIRMAN: You know that this Parliament has passed that Bill and it is now an Act. Do you agree?

SHRI V. P. CHINTAN: Yes, Sir.

MR. CHAIRMAN: Thereafter you moved the court.

SHRI V. P. CHINTAN: Yes, Sir. My party did not go to the Supreme Court. The LIC union went to the Supreme Court.

MR. CHAIRMAN: Do you know what was the finding of the Supreme Court?

SHRI V. P. CHINTAN: The Supreme Court upheld the decision of Parliament. As an ordinary citizen, I am here to represent my views even though Parliament might have passed this.

MR. CHAIRMAN: I am also an ordinary citizen as you are. The Bill had been passed and now it has taken the shape of 1981 Act. And this Act has been challenged in the court of law. Once it becomes the law, it is the law of the land. In 1983 for what purpose is this bill introduced?

SHRI V. P. CHINTAN: Firstly, I want to impress upon you and Members of the Committee to dispassionately hear me on this point. There was a persistent demand from 1955 onwards for the move for nationalisation of insurance. It was even published in papers and was openly ex-

pressed. There was a powerful view against the nationalisation of insurance. I still remember how the big industrialists even opposed it. Later somewhere I also made a reference to Mr. Singhania Committee in my memorandum. I think you might have gone through it.

MR. CHAIRMAN: This is your own memorandum on the basis of which I am putting my questions to you.

You tell me what was the finding of the Supreme Court. Should I read it out to you?

SHRI V. P. CHINTAN: I know the findings of the Supreme Court. They have given their own reasons.

MR. CHAIRMAN: What are the reasons?

SHRI V. P. CHINTAN: The main plank of the decision was that the Government has got powers to decide the conditions of service of the employees. But I disagree with the judgement of the Supreme Court.

MR. CHAIRMAN: Once the decision is given by the Supreme Court, that becomes the law and you, as a citizen, have to abide by the law. I have read your memorandum. You are saying that the democratic rights have been curbed. How have they been curbed?

SHRI V. P. CHINTAN: Approval of the Supreme Court is not the criterion of the democratic rights. I have got a different view. Criticism of that decision is a different thing. I still believe that it is a wrong decision. I still believe that every citizen of this country has a right to agitate against that. But there is no doubt that the decision is binding.

MR. CHAIRMAN: What are the emoluments of the employees in LIC in comparison with the Government employees?

SHRI V. P. CHINTAN: The lowest paid among the public sector are the LIC employees. 25 lakh of the public sector employees get more than what the employees in LIC are getting.

MR. CHAIRMAN: What are the emoluments of the Government servants and

what are the emoluments of the LIC employees?

SHRI V. P. CHINTAN: If you take, Railway or P&T, the wage of the LIC employees is higher than Railways and P&T. But the public sector employees get more than LIC employees.

MR. CHAIRMAN: Here Class III employees are getting more pay than the officers. You must be aware of several instances of undertakings being re-organised in the interest of greater operational efficiency. One of the major considerations for such re-organisation is the need to bring about greater cohesiveness and dynamism at the policy making as well as operational levels. What are your views in this regard?

SHRI V. P. CHINTAN: Cohesiveness, efficiency of the Administration and everything is of utmost importance to that organisation and to the national economy as a whole. Especially in the case of LIC, a premier organisation in our country, cohesiveness is essential. That is precisely why I am opposed to the provisions of the Bill.

MR. CHAIRMAN: What are the provisions which you oppose?

SHRI V. P. CHINTAN: Whatever has been built up after nationalisation will be negated by this Bill. Efficiency of the organisation has been built up to a high level. In respect of cohesiveness, yes, there is cohesiveness. If you split it into 4 or 5 separate Corporations, unhealthy competition will set in and then again the profit margin will go down and overall expenses will increase and efficiency will be lost and my submission to you is that there are certain parties in this country which are diametrically opposed to nationalisation. If you allow this trend to grow, perhaps you will see that a time will come where again de-nationalisation will be preached and pressure will be brought on the Government. That is why I am opposed to the split of LIC.

MR. CHAIRMAN: My last question is: On what clauses of this Bill you agree and on what clauses of this Bill you disagree?

SHRI V. P. CHINTAN: I am totally opposed to the split. I am totally opposed

to the provisions relating to employees' rights etc. incorporated in the Bill. So I totally oppose the Bill.

MR. CHAIRMAN: Do you totally oppose all the clauses, from clause 1 up to the last one?

SHRI V. P. CHINTAN: If there is a particular clause that I like or dislike, my like or dislike will be insignificant so long as the question is, for what purpose this Bill is brought in. My submission is that the Government is yielding to the pressure of the richest section of the country, who are opposed to nationalisation.

MR. CHAIRMAN: Please bear with me. I want to know which clauses you are not opposing. You say that you oppose all the clauses. That is enough.

SHRI V. P. CHINTAN: My answer is, it is irrelevant and the whole idea of the Bill is wrong and the effect of the Bill if it is enacted will be suicidal to the cause which we are expousing. If this Bill is passed, then the hard-earned trade union rights of the Unions will be destroyed. That is why I am opposing.

MR. CHAIRMAN: Will you please tell how we can improve to give better service to the policy-holders? After all our object is to serve the policy-holders. You can also give your ideas on this in a separate memorandum.

SHRI V. P. CHINTAN: Yes, I will submit.

SHRI KUSUMA KRISHNA MURTHY: I fail to understand one thing from your replies. I want a clarification. Do you mean to say that there is no need for the improvement of LIC in respect of service to the policy-holders? In the Statement of Objects and Reasons it is stated that they wanted to improve the operational service and they want to go into the rural areas. Many people said that there is great need to expand and spread this service to the rural areas.

SHRI V. P. CHINTAN: It is a pertinent question that you raised here. I have sharply pointed out in my Memorandum that it has to be extended and spread into the

rural areas in a bigger way. But then I have an argument. For instance, the Government of India has neglected agrarian reform; I have quoted the Planning Commission's Report on it. My point is that if this has been extended in a bigger way in the rural areas, our business would have been expanded. I want the learned Committee to recommend to the Government ways and means to extend it to the rural areas.

As far as the other part of your question is concerned, efficiency-wise I want a particular policy to be evolved. No doubt improvement is necessary. There are complaints about servicing; it has to be looked into, the service has to be improved. I am not saying that the LIC is not an ideal public sector. Improvement has to be made. If, for example, whatever investment is made here, what is the return? All the learned Members know it. We want the bonus to be increased and I am sure without splitting—I am saying with pride that after nationalisation yeomen service has been done to this sector and that has to be kept up and no step should be taken to mar the progress.

SHRI BRAJAMOHAN MOHANTY: Your Union has been maintaining indepth analysis of the top-heaviness, increase in wasteful expenditure and higher operational cost. Have they made any indepth analysis of that?

SHRI V. P. CHINTAN: Yes, we have made some analysis.

SHRI BRAJAMOHAN MOHANTY: I am interested to know if any expert view has been obtained or you yourself made an analysis indicating that this much of top-heaviness is involved and this much expenditure will be involved etc. It will be very much helpful to us if you analysed the entire thing like this.

SHRI V. P. CHINTAN: I appreciate the point made by you. The top-heavy administration will be an asset to LIC.

SHRI BRAJAMOHAN MOHANTY: My question is whether any indepth analysis has been made by you or by an experts or by any agency. And can you say that after that analysis such conclusions

have been drawn? etc.? If it has been done, please enlighten us and place the document before us concerning that.

MR. CHAIRMAN: The hon. Member has put a specific question. If you have made any analysis, kindly give its findings. If you have not done it, and if any other agency has done it, you can give its report, if possible.

SHRI V. P. CHINTAN: An organization of our kind cannot go into the type of analysis mentioned by the hon. Member. That does not mean that we have made a superficial analysis.

SHRI BRAJAMOHAN MOHANTY: Have you come across any analysis of the optimum requirement of employment, considering the work-load of LIC?

SHRI V. P. CHINTAN: Yes. According to our analysis, the present staff strength is inadequate. It has to be augmented, taking into consideration the work-load at present, and also the expanding nature of the industry. I will submit a copy of the findings of that analysis.

As far as this Bill is concerned, I was concentrating on certain draconian provisions in it. My objective in this note was to point out to you the injury and harm done by the promoters of this Bill to the trade union movement as a whole, and particularly to LIC employees. A major portion of my memorandum is on that point.

SHRI BRAJAMOHAN MOHANTY: Reports are received that a section of employees are indulging in violence and issuing threats to its officers. They are not cooperating with them in their work. The officers themselves have to work. There are reports that the unions are unnecessarily interfering with the transfers of a section of employees.

SHRI V. P. CHINTAN: Violence has become a national trait. Who is responsible for it? Perhaps the ruling party. I do not want to make any comment; but to my knowledge, there is no violence in LIC. If there is violence, Government should take a firm action. I am prepared to advise my friends in LIC to submit to

a code of conduct, and give an assurance on behalf of CITU, that there is no question of encouraging violence.

MR. CHAIRMAN: Has your party prepared or already submitted a code of conduct for employees also?

SHRI V. P. CHINTAN: Yes, Sir. We have been saying so many things on the floor of Parliament, and before different committees. As far as LIC employees are concerned, the code of conduct is not to be defined by us. I am not connected with that union.

SHRI BRAJAMOHAN MOHANTY: Whatever the witness says in reply, should be incorporated. It will indicate his contribution to the cause of workers. His memorandum is very comprehensive. Anyway, I will now put a question.

Mr. Chintan, are you aware that in any country in the world, the Government servants are allowed to participate in politics or to indulge in canvassing for the election? Can you name the country where the political rights are given to Government servants?

SHRI V. P. CHINTAN: I am surprised at this question. There are countries where Government employees are permitted to contest elections. I am not quoting Soviet Union because the right exists. I am quoting France or America even where the Government employees can contest the elections. I do not understand why the political right of an employee as given in the public sector undertakings by Government is denied to the L.I.C. employees. That is why I am opposed to the provision incorporated in the Bill. You might have gone through my memorandum.

SHRI VITHALRAO MADHAVRAO JADHAV: You have just now said that the time will come when we will have to *de-nationalise* the L.I.C. That means you object to the very fundamental principle of nationalisation.

SHRI V. P. CHINTAN: Sorry, Sir. You have misunderstood me. There is lobbying in this country which is trying to scuttle the nationalisation. In 1956 when

the Nationalisation Bill was introduced, there was a continuous opposition to it.

If to-day you split the LIC, tomorrow it will be said that since one division has not made any profit, it will go over to the private sector. I am totally opposed to it. I quite agree with you that that trend should not be encouraged. This splitting will only encourage that trend. That is my conclusion.

SHRI VITHALRAO MADHAVRAO JADHAV: Don't you think that the split amounts to decentralisation?

SHRI V. P. CHINTAN: Decentralisation is a different concept in Political Science. The Chairman will not permit me to write a thesis on decentralisation.

At the same time, I do not want to take the valuable time of the Committee on it. This is a part of political Science. If the economic organisation is to be decentralised, then you will lose the efficiency of it.

MR. CHAIRMAN: Now Shri Rahi may put his questions.

श्री रामलाल राही : मैं आपके विचार को इस प्रकार समझ सका हूँ कि बिल की भावना से तो आप सहमत हैं लेकिन इस बिल का जो स्वरूप है उससे सहमत नहीं है। मैं जानना चाहता हूँ क्या आपके विभाग में कोई ऐसा स्वरूप है जिसमें एल आई सी काम करके रूरल एरियाज़ में पहुंच सके और ग्रामीण क्षेत्र के लोग अधिक से अधिक पंजीतीज लेकर लाभान्वित हो सकें

SHRI V. P. CHINTAN: Unfortunately, I do not follow this. I think I must re-write my memorandum.

SHRI JANARDHANA POOJARY: I think you are not opposed to the objectives.

SHRI V. P. CHINTAN: The idea of my party and my organisation and Government is one—that is, nationalisation. There we are one. This Bill scuttles the process which we have proudly held so far.

श्री रामलाल राही : मैंने यह कहा था कि इस बिल की भावना से, इस बिल के प्राइडियार्स से तो आप सहमत हैं लेकिन जो इस बिल का स्वरूप है उससे आप सहमत नहीं हैं।

SHRI V. P. CHINTAN: Can I understand him in this way? He wants to know whether we are agreeable with the Bill or not. My answer to this is that as regards the concept incorporated in the Bill, it is reactionary to the core. It has to be rejected in full because this is anti-labour. It takes away the hard-earned rights of the workers as far as the right of collective bargaining is concerned. From the period 1947 to 1984, nationalisation is also being watered or scuttled down.

श्री रामलाल राही : आप सम्भवतः इस बात से सहमत हैं कि राष्ट्रीयकरण के बाद से अब तक जीवन बीमा-निगम की एप्रोच रूरल एरियाज़ तक नहीं हो सकी है जितनी कि होनी चाहिए थी।

SHRI V. P. CHINTAN: In the rural areas, we have made a dent.

We have gone to an appreciable extent. It has to be encouraged and I have indicated the impediments in the process. There is lacking in reforms in the country. The modern concept of life saving—life insurance—is not protected. The hon. Members can ask the Information Minister to give more time in Radio and T.V. and in the press so that more people will be prompted to go in for the insurance.

SHRI NAND KISHORE BHATT: So, you reject this Bill outright.

SHRI V. P. CHINTAN: I have indicated some proposals. You can go through them. You will know that there is a concerted effort to extend this to rural areas. Either the political decision is taken or the policy-decision at Government

level is taken to increase the bonus. It will be interesting to note that recently there is a move made by the Reagon Administration to increase the interest rate for the deposits. From England, from Norwegian countries, from Germany and from France capital is flowing to America like anything. The dollar is strengthened recently. How do they work wonders? Here also if you encourage to give more bonus etc., the people can be attracted. What good is going to take place if you split this up into five? I am not accusing you. The sponsors of the Bill are trying to split this into small zones. That is not the solution or that is not the remedy. The remedy lies somewhere else. That is, certain policy is to be revised.

As far as employees are concerned, there is a war. After 1947 Parliament has enacted many laws. So far, I have never seen Parliament, while enacting laws, has denounced the agreements with the Unions.

MR. CHAIRMAN: If there is a healthy competition among the corporations, then why do you object?

SHRI V. P. CHINTAN: That is the argument of big capitalists. We know what is happening in the jute industry. Will you allow competition in Railways? There are interested parties. They want division. They want division everywhere. They want division of the country.

MR. CHAIRMAN: After the division of the LIC the workers will get more benefits and more promotions.

SHRI V. P. CHINTAN : Let the workers suffer, but the division should not be there.

SHRI SUDHAKAR PANDEY: West Bengal has taken over certain factories. Do they not believe in nationalisation?

SHRI V. P. CHINTAN: Certain factories have been taken over to run them properly.

SHRI JANARDHANA POOJARY: I am very happy to know that you are a freedom fighter and you are looking after the interest of the weaker sections. Do you know that in 59 districts of the country LIC has not yet reached? How many districts are there in Tamil Nadu?

SHRI V. P. CHINTAN: 16. I agree that there are vast rural areas where LIC as to penetrate.

SHRI JANARDHANA POOJARY: Coming to that factor, do you think that that objective will be fulfilled within the existing provision?

SHRI V. P. CHINTAN: There are lacunae defects and short coming, in the organisation. Those have to be rectified. In any attempt to rectify this I can assure you that we will support you fully.

SHRI JANARDHANA POOJARY: By splitting if more intensive development takes place by penetrating into the rural areas and helping the weaker sections, what is the harm in that? Splitting does not mean that we are denationalising it.

SHRI V. P. CHINTAN: The spirit in which you are asking the question is appreciable. If managerial lapses are corrected. I am sure without splitting the organisation, those objectives can be fulfilled.

SHRI JANARDHANA POOJARY: You know about the poverty of the country. We know your anxiety for the weaker sections of the country. There are Government employees also. After putting in so many years of service, they are not getting more than a thousand rupees. But the LIC employees after putting in that much of service, are getting Rs. 3000 and odd.

SHRI V. P. CHINTAN: Your question is a pertinent question which the Cabinet has to decide. Are you prepared to have a national wage policy? You don't have a national wage policy. You are a Minister. This question has to be decided by the Cabinet. There is a lot of disparity between the LIC employees emoluments and those of others.

SHRI JANARDHANA POOJARY: You can give a note on that.

SHRI V. P. CHINTAN: This disparity is not the creation of the LIC employees. What are you paying to the BHEL employees? Why this disparity? Let us have a discussion and have a national wage policy, which you are not prepared to.

SHRI JANARDHANA POOJARY: You can give a detailed note on that.

Another thing is, there is unorganised sector in the country. Our hon. Member, Mr. Satish Agarwal, has always been quoting that more than 31 crores of people are living below the poverty line, and you just imagine the condition of those people. Even today we talk much about the Scheduled Castes and Scheduled Tribes and if you go into the reality, you will see that all these employees are not in the organised sector of the country.

SHRI V. P. CHINTAN: About the unorganised sector, you know it well. It is you and your Government that is preventing unorganised sector people from earning their livelihood.

SHRI JANARDHANA POOJARY: You don't go into politics.

SHRI V. P. CHINTAN: The moment we raise this question, you know how your goondas attack us. In Tamil Nadu 40 Harijans were burnt in a house for asking for an ounce of rice.

MR. CHAIRMAN: The question

that is put to you is: Do you think that there are certain sections in the country who are below the poverty line?

SHRI V. P. CHINTAN: Yes.

MR. CHAIRMAN: All right. Thank you very much. You have taken the trouble of coming here. You will kindly give your report.

SHRI V. P. CHINTAN: I assure you to give two reports, one on the question of manning and one on the question of wage structure.

MR. CHAIRMAN: You send the answer to Mr. Poojary.

SHRI V. P. CHINTAN: I thank you and the Members of the Committee for patiently listening to me. I wanted to talk to you frankly.

MR. CHAIRMAN: I appreciate your frankness. Thank you very much.

(The witnesses then withdrew)

II—The Hindu Madras

Spokesman:

Shri N. Ram, Associate Editor.

(The witness was called in and he took his seat)

MR. CHAIRMAN: Before you start, I may point out to you that in accordance with the provisions contained in Direction 58 of the Directions by the Speaker, your evidence shall be treated as public and is liable to be published unless you specifically desire that all or any part of the evidence given by you should be treated as confidential. Even though you might desire your evidence to be treated as confidential, such evidence is liable to be made available to the Members of Parliament.

Have you signed this?

SHRI N. RAM: Yes.

MR. CHAIRMAN: I thank you very much because you being a journalist have come to give evidence. In view

of the Memorandum which you have given, have you visited certain offices of LIC any time?

SHRI N. RAM: Yes Sir, from time to time.

MR. CHAIRMAN: In the fourth paragraph of your Memorandum you have said that 'as a journalist who has had the occasion to observe the organisation in some detail and who has come into contact with the various levels of staff and management... Is it correct?

SHRI N. RAM: Yes.

MR. CHAIRMAN: Have you come in contact with the management and staff of LIC?

SHRI N. RAM: Yes.

MR. CHAIRMAN: Do you know what are the emoluments of LIC employees compared to the emoluments given to the Government employees? Have you got the data with you?

SHRI N. RAM: Yes.

MR. CHAIRMAN: Can you give me a copy of that data?

SHRI N. RAM: Yes, I can make it available to you.

MR. CHAIRMAN: What is the pay of a Peon working in the LIC? I mean, what are the total emoluments of a Peon?

SHRI N. RAM: Of course, I am an editorial writer and we often have Reporters covering this in detail. But since I took some interest in this case, I have come here. I am not primarily an economic writer.

MR. CHAIRMAN: Have you got the figures or not? Kindly give them.

SHRI N. RAM: The minimum wage for the kind of an employee you are talking about is Rs. 646.

MR. CHAIRMAN: I am asking about the total emoluments of the Peon.

SHRI N. RAM: Including the City Compensatory Allowance, the allowances amount to Rs. 504. The minimum wage in other organisation such

as Indian Oil Company is significantly higher. So, an Assistant in the LIC draws considerably less.

MR. CHAIRMAN: Please answer my specific question: What are the total emoluments that a Peon of the LIC is getting today and what is the total salary given to a Government peon? I am putting you this specific question and you will kindly give me a specific answer.

SHRI N. RAM: He gets emoluments in the region of Rs. 900 to Rs. 1000. It depends on what you take into account, whether you take into account medical benefits, whether you take into account gratuity and so on. But when you say 'emoluments', you have to specify the items. So it depends on your calculation.

MR. CHAIRMAN: What are the total emoluments of an LIC peon?

SHRI N. RAM: My estimate is that it is in the region of...

MR. CHAIRMAN: Do you have estimates or figures?

SHRI N. RAM: I have got figures for various categories. About the peon, I can get them.

MR. CHAIRMAN: You don't have the figures now. That is the answer. What about the emoluments of a Stenographer?

SHRI N. RAM: I do not know.

MR. CHAIRMAN: Can you give the figures for Assistants and Upper Division Clerks?

SHRI N. RAM: I can get you the details.

MR. CHAIRMAN: You don't have them. Will you be in a position to get all the data within a couple of days?

SHRI N. RAM: Certainly.

MR. CHAIRMAN: Do you believe in the principle of equal pay for equal work?

SHRI N. RAM: Certainly.

MR. CHAIRMAN: Do you know that an Act was passed in 1981, by Parliament amending the LIC Act?

SHRI N. RAM: Yes, but I am not familiar with its details.

MR. CHAIRMAN: Have you gone through the present Bill in all its clauses?

SHRI N. RAM: Yes.

MR. CHAIRMAN: You say that you have come in contact with the managerial staff and employees. Have you come in contact with policy-holders?

SHRI N. RAM: Yes, at random. People come and make representations to us. We have heard their complaints.

MR. CHAIRMAN: What is the number of complaints pending to-day in the LIC, from policy-holders?

SHRI N. RAM: I have the figures, I can give you.

MR. CHAIRMAN: You don't have them at the moment. For how many years they are pending, you don't have an idea.

What about death and maturity claims?

SHRI N. RAM: I don't have an idea.

MR. CHAIRMAN: Can you give rough figures about the unadjusted amounts in the LIC? Do you have an idea?

SHRI N. RAM: Not just now.

MR. CHAIRMAN: Is the service to the policy-holders to your satisfaction?

SHRI N. RAM: No, Sir.

MR. CHAIRMAN: Do you agree that the object of LIC is to serve the people at large?

SHRI N. RAM: Yes, Sir.

MR. CHAIRMAN: What is the total number of policy-holders in India?

SHRI N. RAM: These figures are available. I can get them. I don't have them now.

MR. CHAIRMAN: Life Insurance was nationalized in 1956. What did Mr. Deshmukh say at that time?

SHRI N. RAM: He looked forward to a very progressive undertaking, and to the time when nationalization would be able to bring about an intensive development of life insurance business in the country, in keeping with large national goals. This was the content of the speech, as far as I can remember.

MR. CHAIRMAN: I will read some portions of what the late Mr. Deshmukh said in Parliament:

"If we find that one autonomous corporation does not work satisfactorily, then it would be open to us to change over to a number of autonomous corporations."

Do you agree with this view?

SHRI N. RAM: I do not agree with this view.

MR. CHAIRMAN: Did you make any comment at that time?

SHRI N. RAM: I was too young at that time, just ten years old.

MR. CHAIRMAN: Have you gone through the report of the Era Sezhayan Committee?

SHRI N. RAM: Yes, in substance.

MR. CHAIRMAN: When was that report submitted? The information should be on your finger-tips.

SHRI N. RAM: It was given in 1979.

MR. CHAIRMAN: It was set up in 1979. The report was submitted in September 1980. What are the findings of this Committee?

SHRI N. RAM: As far as I can read the sense of the recommendations of that Committee, it was rather happy or positive about the overall performance of LIC, but it pinpointed many specific deficiencies, I don't think that this unfortunate and in fact retrograde proposal to take apart and give away the advantages of nation-

alization constituted the main or fundamental recommendations of the Era Sezhiyan Committee.

MR. CHAIRMAN: You are a journalist. I will read the recommendation of the Era Sezhiyan Committee to you. It says:

"In spite of large growth in its business, efforts made for improving the services to policy-holders and achieving economy in management, the LIC has not been able to fulfil most of its primary objectives...."

And again,

"The Committee is convinced that the present unitary structure has been the major factor in inhibiting progress."

Some of the major considerations which have led the Committee to arrive at the conclusions are as follows:

"In the light of the general considerations contained in paragraph 22, the Committee has come to the conclusion that it is desirable to split it up into five separate corporations."

This is the finding of the Era Sezhiyan Committee consisting of experts.

Do you know who were the members of that Committee?

SHRI N. RAM: No. I do not know all the members, but I know the Chairman very well.

MR. CHAIRMAN: The Chairman was an ex-employee of this Corporation. He has mentioned that he has got experience. You know he is an advocate by profession also.

Mr. Agrawal was a Chairman of the Public Accounts Committee of Parliament. He can be judged by his reports. Mr. Ram, you must have heard about Mr. Agrawal. Now, I am asking a question. You are a journalist from when we may learn a lot. You have given your memorandum wherein

you say that you have come in contact with the L.I.C. employees as also with the management. Have you not any contact with the policyholders?

SHRI N. RAM: My reply to your observation is this. There seems to be a flattering assessment of the journalists here.

MR. CHAIRMAN: Sorry, Sir That is not my idea. You are coming before us from the Hindu. We have gone through your memorandum very closely. We want to learn many things from you.

SHRI N. RAM: I may explain what is the situation. We the journalists may not have the kind of expertise as the MPs and people outside have. We feel that we always reflect the views in the papers only after consulting reference books, press clipping ect. I am not that kind of an expert on the LIC to know all about that in details. On general issues where public policies are involved, we read about that frequently and write the editorials. As a reporter, I think, I have some credentials to speak on it. That does not mean that I have some comments to offer in details or I should further that kind of knowledge with that kind of details if, tomorrow I have to testify somewhere, I must be prepared for it; if I write an editorial in a paper should have that kind of authority to go deeply into it.

MR. CHAIRMAN: We very much appreciate that.

SHRI SATISH AGARWAL: Do you maintain some kind of press clipping on the LIC's split up?

SHRI N. RAM: On the LIC split up we have.

MR. CHAIRMAN: When this Bill was introduced on the floor of the House, was any editorial written by you?

SHRI N. RAM: The Hindu wrote an editorial.

MR. CHAIRMAN: Not by Mr. Ram himself.

SHRI N. RAM: It need not necessarily be by Mr. Ram.

MR. CHAIRMAN: I am now asking you a question. When this Bill was introduced on the floor of the House, did you welcome that?

SHRI N. RAM: I did not welcome that.

MR. CHAIRMAN: Have you written any editorial?

SHRI N. RAM: I have not written any editorial as such.

MR. CHAIRMAN: At that time did it not occur to you?

SHRI K. A. RAJAN: How can you ask him?

MR. CHAIRMAN: Because the memorandum has come from him.

SHRI SATISH AGARWAL: He says that he is an associate editor of the *Hindu*. He has not come here as an individual.

MR. CHAIRMAN: Do you represent the *Hindu*? You are here in your independent capacity.

SHRI N. RAM: As far as my understanding goes, I come before the Committee like this. I have come here as a journalist who works in the *Hindu*. The *Hindu* has not submitted a memorandum.

MR. CHAIRMAN: That is our point.

SRI KUSUMA KRISHNA MURTHY: He has come before us as an individual.

MR. CHAIRMAN: My question is very specific. In your memorandum you have talked about the Service Matters Tribunals.

SHRI SATISH AGRAWAL: You put certain question but the answer are not allowed to go on record. The question was: whether the *Hindu* welcomed this particular Bill.

MR. CHAIRMAN: The question has already been put. He has given the

answer that the *Hindu* has given comments. Can you submit to the Committee the press clipping?

SHRI N. RAM: I would be happy to submit editorials. In fact an editorial has been written on the Bill. The *Hindu* wrote an editorial in regard to the change in the structure of the L.I.C. That editorial was critical of the approach of the Central Government towards the L.I.C. In particular, it criticised the suspicious and untrusting attitude of the government towards the L.I.C. employees. We have also criticised the attitude of the LIC management and the Governmental authorities in particular, the Finance Ministry, towards the Policyholders particularly, on the question of premium and the low returns by way of bonus, the policyholders have had a raw deal in the whole business. That is not tackled by this Bill. This was also one of the points made sharply in our editorial.

MR. CHAIRMAN: Will you please produce there clippings?

SHRI N. RAM: Certainly, I shall present to you all the editorial comments and other articles if you so like.

MR. CHAIRMAN: About the Service Matters Tribunals, you have mentioned in your memorandum. Do you agree with that?

SHRI N. RAM: No, no.

MR. CHAIRMAN: What have you got to say?

SHRI N. RAM: My point is this. This represents an undemocratic, oppressive or illiberal attitude of the Government towards the conditions of the LIC employees in the LIC. This is again my view. We have also reflected it in the *Hindu*. A question was asked earlier and so my answer is that the employees are treated in this way. It must be on the basis of give and take and, on the basis of quality. The whole business of dealing with service matters in this fashion constitute unequal relationship. You

are taking away the existing rights and I hope that the higher courts will consider this an unconstitutional. If this Bill unfortunately becomes a law, this can be prevented. My strong view is this. It is again my personal view. This is an atrocious attack on the service conditions. By this Bill you are only going to demoralise the employees of the L.I.C.

MR. CHAIRMAN: You know that this Act was passed in 1981.

This was taken to the Supreme Court. Do you know the finding of the Supreme Court?

SHRI N. RAM: I am not aware of the details of the findings of the Supreme Court.

MR. CHAIRMAN: Should I read it out to you?

SHRI N. RAM: It does not matter.

MR. CHAIRMAN: Kindly understand us. I quote:

"It is open to the petitioner to say that the employees of the L.I.C. and the employees of the other establishments to whom the provision of the Industrial Disputes Act were applicable were similarly circumscribed to justify the contention that by excluding the employees of the Corporation from the purview of the Industrial Disputes Act, they had been discriminated against. There is no material before us on the basis of which we can hold that the amendment act of 1981 and the rules made thereunder on February 2, 1982 infringe Article 14. The Bill is in conformity with the provisions of the L.I.C. Amendment Act so far as the terms and conditions of the employees are concerned."

What have you got to say about the findings of the Supreme Court?

SHRI N. RAM: This is a matter for future when the Bill becomes an Act.

MR. CHAIRMAN: This has become an Act. When the Bill was passed, did

you make any commentary?

SHRI N. RAM: At that time I was in Washington.

SHRI BRAJA MOHAN MOHANTY: Do you support the demand of the Government employees and public sector employees to have political rights including canvassing right?

SHRI N. RAM: Yes. No attempt should be made to abridge that right of any section of the employees.

SHRI BRAJA MOHAN MOHANTY: Should the Government servants in this country be subject to the Industrial Disputes Act or some specific mechanism be evolved for them?

SHRI N. RAM: The I. D. Act and also certain specific mechanism should be made, because there are certain areas like intelligence where national security is involved. For them special mechanism should be evolved.

SHRI BRAJA MOHAN MOHANTY: Have you made any study about the relation of the Government employees and the public sector employees with the Government? If so, will you submit a copy of the study to us?

SHRI N. RAM: I shall find out and then submit.

SHRI BRAJA MOHAN MOHANTY: In LIC because of indiscipline, non-cooperation and interference in day to day working particularly in transfers etc, the growth of LIC business has hampered. Do you agree with this statement of mine?

SHRI N. RAM: This is a very unfair characterisation of LIC. I think, there are problems there. On the whole, think, the efficiency is good. If you look at the figures of outstanding claims, I think, the record is as good as any international organisation. If you want to do that, you will demoralise the whole organisation. I therefore strongly disagree with this kind of characterisation of the atti-

tude or perception of the situation within the LIC.

MR. CHAIRMAN: Should we not look to the complaints of the policy-holders? If the complaints are not registered at the branch level, is it not our duty to look after the interest of the policy-holders?

SHRI N. RAM: Yes, Mr. Chairman. But I would like to submit that in individual cases it might be that somebody is slow, but also the procedures are such that in a country where many people are not educated, often they do not get their requirements. So, the complaints reflects the fact that we are a developing country with many backward features. It gives rise to complaints in all spheres of life. In Parliament would you say that there are no complaints? I hear all kinds of reports in the market place. But we disbelieve it completely.

MR. CHAIRMAN: I will just tell you, you know it very well, you should not say anything about the performance of Parliament.

SHRI N. RAM: I am saying it positively, Mr. Chairman, that there are complaints in the market place, but I am not going to accept it as a journalist.

SHRI KUSUMA KRISHNA MURTHY: I have a specific question. I could understand your deep concern about the employees and all that. Suppose the Bill takes care of the democratic rights of the employees and their concern about the Industrial Disputes Act and all that. Do you agree with the split in view of the better operations and efficiency?

SHRI N. RAM: No. In fact, this was the main point I have made in my Memorandum. Perhaps I should have spelt it out more clearly. My feeling is that this is a success story for nationalisation, this is a story where the argument that the private sector is more efficient does not hold good. Within this organisation itself you have more weaknesses. But overall,

it has been a success story. Why is it so? Whether you like it or not, after the unification of all the business of the LIC, here you have a national structure, a unitary structure. The unitary structure has a greater advantage. I think it would not be an exaggeration to say that it would be tragic to take this apart to split it up.

MR. CHAIRMAN: You have already said in the very beginning about this.

SHRI N. RAM: If I make a comparison, during the Janta period, Mr. Chairman, there was a proposal to take apart the CSIR.

SHRI KUSUMA KRISHNA MURTHY: You have not to go into party administration here.

SHRI N. RAM: A few years ago there was an unfortunate move to take apart the CSIR to attach laboratories to the user Ministries, and there was a national outcry including from within the Government and from many parliamentarians and I think among many scientists also. We, in the Hindu, including me opposed it saying that it would be tragic if this organisation is taken apart in this way in the name of setting it right. It is just a parallel here. Just as CSIR did a worthy thing in the field of science, the LIC as a national organisation has done a signal service in the intensive development of life insurance business. It has many weaknesses, it has many deficiencies. But to take this apart, to split it up and to let parochial forces to come into play is a tragic thing. So, my answer is, 'No.'

SHRI JANARDHANA POOJARI: Mr. Ram, the LIC was nationalised in the year 1956. Do you know that?

SHRI RAM: Yes.

SHRI JANARDHANA POOJARI: After nationalisation, till today there are 57 districts in the country—I am not referring to blocks or taluqs—where the LIC was not able to go. Do

you know how many districts are there in Tamil Nadu?

SHRI N. RAM: There are 14 districts.

SHRI JANARDHANA POOJARY: How many in Karnataka?

SHRI N. RAM: Nine.

SHRI JANARDHANA POOJARY: You take into consideration this fact that 57 districts are there in the country where the LIC has not reached whereas banks were nationalised in the year 1969 and today they have got about 42,738 branches throughout the country. Now, in a particular region the North Eastern Region, the business is less, the procurement of premium is less. In the Southern region it is more. In this particular context we are not going against nationalisation. If an independent Corporation particularly in that region intensifies its activities by close monitoring and this message is taken to the rural people, and more people are covered and if that particular Corporation is competing with another region, as for example, the Southern region is doing very good business and the Northern Region is not doing very good business, and if they compete with those people going into the rural areas and going to the weaker sections, if you think in that line of more close monitoring and penetration, what would be your conclusion about that?

SHRI N. RAM: It has been mentioned earlier. It is a very relevant concern. For maintaining a national outlook within the present unitary structure, I think you can do some of the things you mentioned. You can have that competition, accountability and intensive operations.

SHRI JANARDHANA POOJARY: It has not been done since 1956.

SHRI N. RAM: The reasons are different. Here is a diagnosis which bears very little relation to the course

of treatment prescribed. These two are really not related.

SHRI JANARDHANA POOJARY: You can give a note explaining this.

Taking into consideration the deficiencies of LIC, this Era Sezhiyan Committee was appointed. It had gone into details. There were experts in it. It submitted its recommendations, after taking into account the recommendations of earlier Committees. Seeing some merit in the recommendations of this Era Sezhiyan Committee's report, Government felt that LIC should be split into five. No parochial element will get encouraged. On this point, you can send a note, if you feel like.

SHRI N. RAM: There is uneven development in the country. In some places conditions are better. So, the development of LIC's business is bound to reflect this unevenness. The advantage of an unified organisation is that you can subsidize rural area business since the overall, united organization can absorb this subsidy. This is the advantage of centralized planning. So, you cannot have a total businessman's attitude to the functioning of individual branches.

Mr. C. Subramaniam had mentioned these points. In India, there is a need to make the available surplus attend to specific problems without calculating the economic loss. I think this advantage will be lost if we split the LIC.

SHRI SATISH AGARWAL: Since how long is "The Hindu" being published?

SHRI N. RAM: From September 1878.

SHRI SATISH AGARWAL: I think it is published from Madras, Coimbatore and Hyderabad. Anyway, what is its circulation?

SHRI N. RAM: The total circulation is 2.72 lakhs. For the Sunday Edition, we have already crossed 4 lakhs.

SHRI SATISH AGARWAL: Has it got a wide circulation all over India?

SHRI N. RAM: More than 90 per cent of our circulation is in the four southern States.

SHRI SATISH AGARWAL: Have you received any complaints regarding malfunctioning of LIC so far?

SHRI N. RAM: There are complaints, but they are not very frequent. They do not write to us frequently.

MR. CHAIRMAN: Has any one of your readers, contributors or subscribers contributed any article to "The Hindu" or written any "Letter to the Editor" wherein they have supported the present Bill?

SHRI N. RAM: I am not aware of it. But I will certainly check up. I will give you the clippings.

SHRI SATISH AGARWAL: Your newspaper is highlighting the fissiparous, parochial and regional attitudes prevalent in the country. In this context, don't you feel that it will be wise to keep the unified structure of LIC intact?

SHRI N. RAM: It is an important task to keep the national outlook, particularly in LIC; and I think it would be helpful if we keep the present structure, but make it more flexible, keeping all the factors Mr. Poojary had mentioned, in mind.

SHRI SATISH AGARWAL: Do you think that the emergence of regional parties having regional approaches has not contributed to national integration, and hence the regional functioning of LIC should not be encouraged at all?

SHRI N. RAM: It is true there are some regional parties which are very chauvinistic; but unfortunately they get popular support in many instances. But it is a question relating not only to regional parties, but also national political parties. We have seen criticisms that the national ruling party has encouraged, at least in specific instances, such tendencies.

So, the blame should not be laid only on regional parties; it can be laid also, especially on the present ruling party at the Centre. We are very unhappy with the handling of certain issues, e.g. Punjab, by the present Government. We have characterized it as inept and inconsistent. This is my point of view. They are as responsible and as accountable as the so-called regional parties, which have to be combated.

SHRI SATISH AGARWAL: Do you firmly believe, after having submitted your memorandum to the committee and after deposing before us, that the deficiencies in the functioning of LIC pointed out by Mr. Poojary—whereby 56 districts are without its branch offices, that the policy holders are not being served well, that the spread of the message of insurance in rural areas has been scant, etc., can be overcome not by splitting LIC but by improving its functioning?

SHRI N. RAM: You are absolutely right.

SHRI KUSUMA KRISHNAMURTHY: Don't you think that this can be served in a better way in the light of the experience gained in the regions of neglected areas? In fact, some people pointed out that certain backward areas have been totally neglected in the matter of spread of message of insurance. Is it correct?

MR. CHAIRMAN: He has already said about that.

Thank you very much. You will kindly give the fact and figures which you had promised to give.

SHRI SATISH AGARWAL: Let them also give us the press clippings.

MR. CHAIRMAN: He will submit the press clippings also.

SHRI SATISH AGARWAL: You may submit to the Committee the editorial comments opposing and supporting the Bill, particularly, in the Southern region. You know some of the important papers—not all—who have written articles or made com-

ments either in favour of or against this Bill. I include the Hindu also in these.

SHRI N. RAM: I shall do so.

MR. CHAIRMAN: Thank you very much.

(The witness then withdrew)

III. Insurance Corporation Employees' Unions, Madras

Spokesmen:

1. Shri K. Natarajan
2. Shri A. V. Venkataraman
3. Shri K. Chandru

(The witnesses were called in and they took their seats)

MR. CHAIRMAN: Will you first kindly introduce yourselves to the Committee?

(Shri K. Natarajan introduced himself and his colleagues to the Committee.)

Before we start, may I point it out to you that in accordance with the provisions contained in Direction No. 58 of the Directions of the Speaker, your evidence shall be treated as public and is liable to be published, unless you specifically desire that all or any part of the evidence given by you is to be treated as confidential.

Even though you might desire your evidence to be treated as confidential, such evidence is liable to be made available to the Members of Parliament.

You have signed it, I think.

SHRI K. NATARAJAN: I have signed it.

MR. CHAIRMAN: You have got your own Association. What are the main objectives of your Association?

SHRI K. NATARAJAN: We have to watch the interests of the employees.

MR. CHAIRMAN: Have you to watch the interests of the policyholders as well?

SHRI K. NATARAJAN: That is there.

MR. CHAIRMAN: Kindly read that portion of your constitution wherein it has been stated that you will watch the interests of the policyholders also.

SHRI K. NATARAJAN: I have not got it at the moment.

MR. CHAIRMAN: You said that you have got your own constitution wherein it has been mentioned that you will watch the interests of the employees and also the interests of the policyholders. Will you be in a position to give that to us.

SHRI K. NATARAJAN: I shall be in a position to give that to you.

MR. CHAIRMAN: You have specifically mentioned that you will watch the interests of the policyholders also. Is it correct?

SHRI K. NATARAJAN: Yes, Sir.

MR. CHAIRMAN: You have been working for the last so many years in your office. Do you have the number of policyholders' complaints which are lodged by them till now?

SHRI K. NATARAJAN: I may speak about Madras alone.

MR. CHAIRMAN: Can you give me the number?

SHRI K. NATARAJAN: As on 31-3-84, the number of policy-holders in Madras Division roughly works out to 8.80 lakhs and odd while the number of complaints which we have received on an average works out to 480 complaints a year.

MR. CHAIRMAN: Do you maintain any register for registration of complaints division-wise or branch-wise? In the annual report, it has been mentioned that about 1.45 lakhs complaints are pending in the whole of the State. Is it correct? You are a trade union leader. And you are a very experienced person and you know it.

SHRI K. NATARAJAN: Yes.

MR. CHAIRMAN: What is the total amount involved?

SHRI K. NATARAJAN: Roughly it works out to Rs. 2 crores.

MR. CHAIRMAN: It is more than Rs. 45 crores or so. This is not for Madras Division alone but it is for all offices of the Corporation in the whole of the country.

What is the unadjusted amount? What is the total maturity claims pending in the whole of the Corporation?

SHRI K. NATARAJAN: I shall be able to give you all facts.

MR. CHAIRMAN: Have you got the figure of maturity claims pending?

SHRI K. NATARAJAN: I shall give you the official figure.

MR. CHAIRMAN: I want the official figure only.

SHRI SATISH AGARWAL: He has got public documents.

MR. CHAIRMAN: If he does not have, I shall give him the 1983 report. What steps have you taken in this regard?

SHRI K. NATARAJAN: As an organisation, we have been taking all steps to see that we improve the servicing to the policy-holders.

MR. CHAIRMAN: You kindly answer my specific question. Give me the number.

SHRI K. NATARAJAN: As on 31-3-83, the claims worth Rs. 65.33 crores were outstanding. The ratio of the outstanding claims to the total payable in this year work out to this much...

MR. CHAIRMAN: I am not asking for the ratio. I am asking you the number of complaints received. I have gone through your memorandum containing 15 pages. Tell me what is the total number of complaints received by you?

SHRI K. NATARAJAN: It may be around that figure. Compared to the

number of policy-holders to whom we cater, it roughly comes to Rs. 8 crores and odd. As compared to the policy-holders whom we are servicing, that is, numbering one lakh or so, this works out to .05 per cent or something like that.

MR. CHAIRMAN: What is the total number of policy-holders in India?

SHRI K. NATARAJAN: I will give it later on.

MR. CHAIRMAN: How many districts have not been covered by the LIC upto now?

SHRI K. NATARAJAN: 37.

MR. CHAIRMAN: It is not 37 but 57. Do you think that the service to the policy-holders is satisfactory?

SHRI K. NATARAJAN: No, Sir.

MR. CHAIRMAN: You want to penetrate in the rural areas. The LIC was nationalised in 1956. I am quoting last sentence of Mr. C. D. Deshmukh's speech: 'If we find that one autonomous corporation does not work satisfactorily, then it would be open to us to change that to a number of autonomous corporations. This process would be easier than the reverse process.' Do you agree with this?

SHRI K. NATARAJAN: I think, not exactly the same.

MR. CHAIRMAN: Do you agree with the objects of the Bill?

SHRI K. NATARAJAN: The objects and reasons of the Bill are good.

MR. CHAIRMAN: What is the way of achieving the objectives?

SHRI K. NATARAJAN: These objectives could be achieved within the existing pattern by improving the functioning of the institution, by enthusing dynamism and by giving some more autonomy to the LIC.

SHRI JANARDHANA POOJARY: What is the degree of autonomy?

SHRI K. NATARAJAN: In the matter of taking decision, in the matter

of day to day functioning, in the matter of opening more offices the management is not in a position to exercise its powers.

MR. CHAIRMAN: Do you want some specific provisions in the Act?

SHRI K. NATARAJAN: They are there.

MR. CHAIRMAN: In 1979 a Committee was appointed under the chairmanship of Mr. Era Sezhiyan. The committee consisting of certain experts, gave their report. Do you know its findings?

SHRI K. NATARAJAN: They have not recommended splitting up the corporation.

MR. CHAIRMAN: When I came here I have received many complaints that here employees do not work more than two hours. Is it correct?

SHRI K. NATARAJAN: I beg to differ with you.

MR. CHAIRMAN: What was the work that you did yesterday? I wish Mr. Natarajan set an example in the office. Now you read page 158, para 22 of Era Sezhiyan Committee Report. It is stated by the Committee that in spite of increasing business and the effort made to improve service to policy-holders and achieve economy in the management, the LIC has not been able to fulfil most of its primary objectives. It is further stated therein that the Committee is convinced that the present unitary expansion has been a major factor in inhibiting the progress. Then, some of the major considerations which have lead the committee to arrive at the conclusion are as below:

"In the light of the considerations contained in para 22, the Committee has come to the conclusion that it is desirable to split up into five separate units."

One thing is that we split up the whole Corporation into five Corporations. This is on the basis of the recommendation of the Expert Committee which

was set up in the year 1979. Do you agree with this finding or not?

SHRI K. NATARAJAN: We do not agree with that finding. There were also other Committees which have given their findings.

MR. CHAIRMAN: I know, you mean the Public Accounts Committee, the Estimates Committee, Morarka Committee—all have been covered. This Report of the Era Sezhiyan Committee is the latest Report. I can tell you what was the finding of Mr. Deshmukh. In which year the Life Insurance Corporation was nationalised?

SHRI K. NATARAJAN: In 1956.

MR. CHAIRMAN: What had Mr. Deshmukh said on that day in his speech in Parliament? Do you know that? Mr. Deshmukh said that it would be split into five different Corporations. Had your organisation said anything against this?

SHRI K. NATARAJAN: We have been saying against this. Our organisation is All-India Insurance Employees Association. We have been advocating more decentralisation of functions, that is, branch offices for efficient functioning and to render service to the policy-holders. We have been agitating for that and we do not agree with the recommendation of Era Sezhiyan Committee that the Corporation should be split into five different Corporations for better service.

MR. CHAIRMAN: The Committee consisted of all experts. Is it correct?

SHRI K. NATARAJAN: Yes, Sir.

MR. CHAIRMAN: Mr. Natarajan, do you know the Life Insurance Corporation (Amendment) Act, 1981?

SHRI K. NATARAJAN: Yes, Sir.

MR. CHAIRMAN: Why was it introduced on the floor of the House?

SHRI K. NATARAJAN: At the time of introduction of the Bill in Parliament, the then Finance Minister, Mr. R. Venkataraman, informed the Parliament that it is not the intention of the

Government to remove LIC employees out of the purview of the Industrial Disputes Act. And what exactly was attempted was that in respect of DA and bonus which the LIC employees are getting, no discrimination should be made in comparison with other employees.

MR. CHAIRMAN: What are the contents of that Act?

SHRI K. NATARAJAN: The Act mainly deals with the powers that the Government is assuming to alter the service conditions of the employees.

MR. CHAIRMAN: Kindly read this:

"Whereas securing the interests of the Life Insurance Corporation of India and its policy holders"—not only the employees, but also we have taken care of policy-holders. Do you understand?"—"and to control the cost of administration"—I am laying the entire stress on this point, "to control the cost of administration"—"it is necessary that the revision of the terms and conditions of service applicable to the employees and agents of the Corporation should be under taken expeditiously."

It was for realising this object this Bill was introduced and it was passed by the Parliament, the supreme body of the country, and that it was agitated by one of the persons in the Supreme Court. What was the finding of the Supreme Court?

SHRI K. NATARAJAN: The Supreme Court upheld the Act.

MR. CHAIRMAN: So, you being a citizen of India, are bound by this Act. Is it not?

SHRI K. NATARAJAN: In the Supreme Court also the Government Counsel said that it is not the intention of the Government to assume all the powers. But the intention is more to see that the LIC employees are brought on par with the employees of other organisations.

MR. CHAIRMAN: It is now the law of the land. Do you agree with this or not?

SHRI K. NATARAJAN: It is a fact that the Supreme Court upheld the Act.

MR. CHAIRMAN: Now, what are the emoluments of Class II and Class IV employees of the Life Insurance Corporation in comparison with the emoluments of the Government servants? Can you give me the data on the total emoluments of these categories in these organisations?

SHRI K. NATARAJAN: If we compare the emoluments of the LIC employees with similar analogous institutions....

MR. CHAIRMAN: I have asked about Government servants, I am not talking about the people living in the villages and getting minimum wages. I know your sympathy with the poor, I very well understand it. But I want to know the emoluments. Can you give me a comparative table of the emoluments of the employees working in the Government and the emoluments of the employees of the LIC? If you have got the data with you, please give me that data. Or, will you supply this information later?

SHRI K. NATARAJAN: We will give it to you tomorrow.

MR. CHAIRMAN: You can send it by post. Compare them with the latest figures.

SHRI K. NATARAJAN: If it is the idea of the Government to give the Central Government employees the same emoluments as those given to LIC employees, we are for it. We are fighting for it.

MR. CHAIRMAN: In your memorandum, you have attacked the Service Matters Tribunal. What have you to say further about it? You say it is undemocratic.

SHRI K. CHANDRU: We stand by every word we have said in our memorandum. We have indicated how it is different from earlier tribunals, under which we can agitate for better service conditions. Here we cannot agitate against the role of this Service Matters Tribunal.

MR. CHAIRMAN: We have the present Act.

SHRI K. CHANDRU: Under our Constitution, every Act can be challenged in the court.

MR. CHAIRMAN: You have got the Supreme Court's judgement.

SHRI K. CHANDRU: There can always be a review. There is a review petition pending. It is a law of the country.

SHRI JANARDHANA POOJARY: Till the court does not change its findings.

SHRI K. CHANDRU: An agitation is meant to mobilise public opinion. That is why this Joint Committee has been set up. If the Supreme Court makes a law, and if it is so fine according to the members of this Committee, why should you go in for a new Bill?

SHRI JANARDHANA POOJARY: For your information, the review petition filed by the employees also has been dismissed.

SHRI K. CHANDRU: If the powers are available, and the Supreme Court has given its findings, this whole exercise is meaningless.

SHRI K. NATARAJAN: Way back in 1980, the Supreme Court issued a Writ of Mandamus to the LIC to give bonus to its employees. It took the Government six months to implement it and pay bonus, for which reasons we went on strike for four weeks. The Calcutta High Court also came in. Whatever be the law, when we are affected we can agitate.

You have created a tribunal which is totally servile to the corporation. The word 'judicial member' is very vague. Even a Second Class Magistrate can have seven years of service. In the absence of judicial members, LIC's officers can sit in the tribunal and give awards.

If the present Bill is passed, Government can create a tribunal.

MR. CHAIRMAN: It is the Central Government which will appoint the

tribunal. If an employee is aggrieved, first he will go to his officers and seek redressal.

You have used the words 'anti-democratic', 'illegal', etc.

SHRI K. CHANDRU: It shows the feelings of employees. The Chairman of the Committee talks so much about Supreme Court. The Chief Justice of Supreme Court had occasion to say that the Andhra tribunal was a farce.

SHRI K. CHANDRU: It shows the court. That is all. Mr. Agarwal will put questions.

SHRI SATISH AGARWAL: I am of the opinion that these witnesses are of firm opinion that this step is undesirable or undemocratic and so no amount of examination will convince them. I have no questions to put.

MR. CHAIRMAN: Shri Mohanty, do you want to put questions?

SHRI BRAJAMOHAN MOHANTY: Yes, Sir. Has your Union taken up the matter with the management in the matter of transfer of Class III or IV employees?

SHRI K. NATARAJAN: We have not taken up the matter of transfer of employees. Only when we are convinced that the transfer has been effected unjustifiably, we take up the matter with the management.

SHRI BRAJAMOHAN MOHANTY: Are you aware that Shri Jyoti Basu, West Bengal Chief Minister also stressed the need of improving the efficiency or better performance of the LIC?

SHRI K. NATARAJAN: If it comes to the efficient working of the Corporation, we cooperate with the management. We also exchange views with them.

SHRI BRAJAMOHAN MOHANTY: Have you come across cases where the employees of the LIC are not cooperating and they indulge in violence?

SHRI K. NATARAJAN: In our considered opinion this is a biased report

and it is being blown out of proportion.

SHRI RAMESHWAR THAKUR: On page 4 of your memorandum, in para 2 you have stated that in the matter of policy-holders servicing and claim, the performance of the LIC is much better than that of the private insurance companies and even some of the foreign insurance companies. This has been brought on record, particularly, by the Era Sezhiyan Committee Report. Have you gone through that report? On page 40, para 7.2 of that report, it says:

"During the last 24 years of the LIC existence, the number of policies in force have gone up considerably and service to policy-holders has suffered. Adverse comments in the press about the poor quality of service to policy-holders has become common."

We find that these appear regularly in the press. And in different hearings which the Committee held, an over-whelming majority of the persons who appeared before the Committee expressed similar views. What have you got to say about that?

SHRI K. NATARAJAN: That may be the views expressed by the Era Sezhiyan Committee.

SHRI JANARDHANA POOJARY: According to you, that report also has blown this out of proportion.

SHRI K. NATARAJAN: May be.

SHRI RAMESHWAR THAKUR: See para 7.2. Please refer to their observation with regard to the servicing to policyholders.

SHRI K. NATARAJAN: In the beginning itself I said that there were many aspects as to why claims were outstanding. Maybe, certain informations might be lacking in them.

SHRI RAMESHWAR THAKUR: Your service to the policyholders is not good. That is borne out by para 7.2 of the Committee Report. You have half-way quoted from the Era Sezhiyan Committee report a certain part of the observation while you have left out a

certain part of it. Please come to page 44, para 7.23, Table IX. It will be seen therefrom that the L.I.C.'s performance compares party favourable. You have left out the better part of it.

From the report for 1979-80 it will be seen that the outstanding claims to those intimated was 17 per cent. This is showing an upward trend. There are also many specific areas where there is need for improvement in servicing of the policyholders. The complaints received from the people about the LIC show that a very large part of the complaints related to the settlement of claims. What have you got to pay to this?

SHRI K. NATARAJAN: If you kindly read the last year's Review, you will find that it has been clearly stated therein that as on 31-3-1983 the figure was 17 per cent. This was for the year 1982-83. Now it has come down to 13.6 per cent. I would say that it has considerably come down. We have improved a lot. This is from the latest report 1982-83.

Deputy Minister also attended many of the meetings of the Zonal Managers called by the Chairman of the Corporation. He sat over there throughout and noted down at what time the Union leaders are coming to office and what was the output from them. This is the result in one year's time after that. If the employees had not cooperated, how could there be so much reduction in administrative expenditure?

SHRI JANARDHANA POOJARY: A stenographer in LIC is getting more than Rs. 3000 and odd sometimes whereas a stenographer in Central Government is getting Rs. 1730. Coming to class IV employees, when a peon gets Rs. 530 in Central Government, his counter-part in LIC gets Rs. 2339. Moreover, a clerk is getting more than an officer in LIC. When a Class III employee gets Rs. 920 as basic pay, he gets at some point Rs. 3230 whereas an officer at 920 basic pay gets about Rs. 2370. For that we have fixed the ceiling. Now the question is, if you are not a member of the CPI or CPM, there is

the unorganised sector and 31 crores of our people are in rural areas. Their income is not even Rs. 100 per month. Is it not our duty to protect their interest?

SHRI K. CHANDRU: LIC employees' condition is not a substitute to protect the interest of the people in rural areas. We have said in the charter of demands to the management that we do not want any increase in the salaries provided you set apart this money for the rural development programmes. To that the management said no.

SHRI JANARDHANA POOJARY: You have said that the bargaining right has been taken away. But you still bargain with the management.

SHRI K. NATARAJAN: But the Government has assumed all the powers. Our views are being heard but there is no negotiation as such.

SHRI JANARDHANA POOJARY: Is there any bargaining going on now?

SHRI NATARAJAN: No.

MR. CHAIRMAN: Thank you very much.

(The witness then withdrew)

IV—Consultative Committee of City Chambers of Commerce, Madras.

Spokesmen:

1. Shri C. D. Vidyashankar
2. Shri V. Soundararajan
3. Shri T. G. Krishnamurthy
4. Shri M. S. Sambasivson
5. Shri J. Prasad Davids
6. Shri Vasudevan

(The witnesses were called in and they took their seats)

MR. CHAIRMAN: Before you start. I may point out that in accordance with the provisions contained in Direction 58 of the Directions by the Speaker, your evidence shall be treated as public, and is liable to be published, unless you specifically desire that all or any part of the evidence

given by you should be treated as confidential. Even though you might desire your evidence to be treated as confidential, such evidence is liable to be made available to the Members of Parliament. Have you signed it?

SHRI VIDYASHANKAR: Yes, Sir.

MR. CHAIRMAN: Do you object to the principles and objects of the Bill?

SHRI C. D. VIDYASHANKAR: We want that the main objects of the Bill should be implemented as early as possible with such modifications as generally the Committee might make and the Parliament might accept.

MR. CHAIRMAN: Do you want to say anything more than what you said in your Memorandum?

SHRI C. D. VIDYASHANKAR: We have to point out that generally this is a very welcome measure. Especially in the context of the insurance to be spread out to the remote parts of the villages, to make insurance cheaper, if it is split into five different organisations the benefits will go to the man even in the remotest villages.

The idea of having a Tribunal to settle the claims is very welcome. Expeditious settlement of claims can be made. It is in this context that the Chambers welcome the measure. There are a number of claims pending, there are a number of lapses for no fault of policy-holders. So probably there will be quicker reconciliation and quicker payment made by the Corporation as such. I may even point out that probably we can think of a more effective audit of the Corporations.

MR. CHAIRMAN: Do you want to say anything more?

SHRI V. SOUNDARARAJAN: There is only one point. The proposed amendment is to have an audit. If it is bifurcated, there will be audit of various units and the consolidation will take place more quickly and the accounts can be presented more quickly. The members of the profession

may also audit the accounts quickly and the consolidation of accounts audited will be more quick and effective. As a member of the profession I am adding this point.

SHRI RAMESHWAR THAKUR: Apart from quicker audit, do you think that the entire inter-zone competition of the five LIC Corporations will give better performance?

SHRI V. SOUNDARARAJAN: I entirely agree with the hon. Member because if the small units are audited by the individual auditors—here I may quote the example of nationalised banks. A nationalised bank, for instance, has got thousand branches. The Reserve Bank selects a few number of branches to be audited and the branch Auditors are asked to give the audited figures by the 12th of February every year for consolidation by the Zonal Auditor. There are five zones in this case and the audit of these five zones will be consolidated more quickly.

SHRI RAMESHWAR THAKUR: As Chamber of Commerce, do you think that there will be better servicing to the policy-holders?

SHRI V. SOUNDARARAJAN: We have already said that there would be better and quicker service.

SHRI NANDKISORE BHATT: You are in favour of splitting up. But today there is one organisation, there will be five organisations tomorrow. Will not the expenditure increase?

SHRI C. D. VIDYASHANKAR: Whatever may be the cost, it will be much more offset by efficient and better administration by reaching out the LIC business to the remotest parts of the country.

MR. CHAIRMAN: Thank you very much. We will go through your Memorandum and we will go through your suggestions.

SHRI T. G. KRISHNA MURTHI: Sir, you said you would like to think it over. We would like to have your decision as early as possible.

SHRI SATISH AGARWAL: Decision regarding what?

SHRI T. G. KRISHNA MURTHY: Regarding this Bill.

SHRI SATISH AGARWAL: What can the Chairman do if the Parliament is dissolved and the Bill lapses.

SHRI T. G. KRISHNA MURTHI: We are incompetent to think about Parliamentary elections and all that. This is a suggestion of ours which is conveyed to you.

SHRI V. SOUNDARARAJAN: I hope the additional point mentioned in the Memorandum regarding audit will be taken note of.

MR. CHAIRMAN: It will be taken note of. If you want to add any other point, then you can send it in writing.

SHRI SATISH AGARWAL: You submitted your Memorandum yesterday. Why have you not submitted it earlier?

SHRI V. SOUNDARARAJAN: We do not want to enter controversies about that, but this is the Memorandum we have submitted.

MR. CHAIRMAN: Thank you very much.

(The witnesses then withdrew)

V—South Zone Life Insurance Employees Congress, Trivandrum.

Spokesmen:

1. Shri K. O. Thomas,
2. Shri V. Ambalam,
3. Shri S. Varadan,
4. Shri M. V. Mani.

(The witnesses were called in and they took their seats)

MR. CHAIRMAN: Before we start, I may point out to you that in accordance with the provisions contained in Direction 58 of the Directions by the Speaker, your evidence shall be treated as public, and is liable to be published unless you specifically desire

that all or any part of the evidence given by you should be treated as confidential. Even though you might desire that your evidence should be treated as confidential, such evidence is liable to be made available to the Members of Parliament.

I hope you have signed this.

Do you support this Bill?

SHRI K. O. THOMAS: We wholeheartedly support the Bill. The Bill is neither ill-conceived nor against the employees, nor against the policyholders. But the Bill is in the National interests. Some employees' Unions who have no national outlook oppose the Bill. They want to serve their party's interests in the name of the Trade Union activities. We support this Bill.

SHRI K. A. RAJAN: Mr. Thomas, is your union affiliated to INTUC?

SHRI K. O. THOMAS: Yes, Sir.

SHRI K. A. RAJAN: In your memorandum on the Service Matters Tribunal etc., you have said that any restriction on trade union rights should be removed from the Bill, as it is against the Constitution. Is this statement correct?

SHRI K. O. THOMAS: Yes, it is correct. By the passing of the L.I.C. Amendment Act, 1981, the L.I.C. employees have been taken away from the purview of the I.D. litigation had gone to the Supreme Court challenging the L.I.C. Amendment Act, 1981, and they got a 'favourable' verdict, from the highest judiciary in the country, that the L.I.C. employees are not within the purview of the I.D. Act. There is nothing new in the present Bill. The Bill contains only what is prevailing now and nothing new is incorporated.

SHRI K. A. RAJAN: Then what made you make this suggestion in your memorandum?

SHRI K. O. THOMAS: We said that if there was anything against

the interests of the workers, it should be removed.

SHRI SATISH AGARWAL: What is the total number of Class III and Class IV employees in the southern zone?

SHRI K. O. THOMAS: About 11,000.

SHRI SATISH AGARWAL: Out of them, how many are members of your Congress?

SHRI K. O. THOMAS: 2,762 at present.

SHRI SATISH AGARWAL: What are the organisations or associations in the southern zone which are opposing this split?

SHRI K. O. THOMAS: The Insurance Employees Union affiliated to the Marxist Party is opposed to it.

SHRI K. A. RAJAN: You know that no union is affiliated to any party.

SHRI K. O. THOMAS: It is on their actions that we get this derivation.

SHRI SATISH AGARWAL: How many employees associations or organizations are there, functioning within the southern zone?

SHRI K. O. THOMAS: Only two.

SHRI SATISH AGARWAL: Yours and one more?

SHRI K. O. THOMAS: We need take the rest into account. Strictly speaking, there are three more, functioning within this zone.

SHRI SATISH AGARWAL: Has your union got 20 percent membership in the Southern Zone?

SHRI K. O. THOMAS: About 25 per cent.

SHRI SATISH AGARWAL: All other unions are opposed to this Bill.

SHRI K. O. THOMAS: From the circulars issued by those unions, we

conclude that they are opposing this Bill.

SHRI RAM PYARE PANIKA: Is there any SC and ST Employees Association in LIC?

SHRI K. O. THOMAS: There is an association in Madras.

SHRI RAM PYARE PANIKA: What will be the percentage of SC and ST. employees in LIC?

SHRI THOMAS: Only 5 percent; but I don't have the correct figure now.

SHRI RAM PYARE PANIKA: I think it is 10 percent.

SHRI NAND KISHORE BHATT: There are incidents of violence and goondaism in LIC offices.

SHRI K. O. THOMAS: The management has totally failed in enforcing discipline in L.I.C. Some Employee's Union are conducting jathas inside the office during office-hours to canvas employees for strikes and other agitational programmes. The management helplessly remains as on-lookers. There is nobody to check whether they come to the office or not. These employees, in large numbers, leave the offices, after making muster-rolls, to lead jathas and dharnas in front of offices other than L.I.C. to support the agitations of sister-trade Unions. We have got paper cuttings which contain photos of these persons sitting in dharna and hearing the speeches of the leaders; of the communist parties.

MR. CHAIRMAN: Have you brought this to the notice of the management?

SHRI K. O. THOMAS: We have given them copies of such cuttings.

MR. CHAIRMAN: Have you got copies of them now?

SHRI K. O. THOMAS: We don't have them now.

SHRI RAM PYARE PANIKA: Are you aware of the fact that some employees get the signatures of policy holders in support of their views, viz. to oppose this Bill?

SHRI K. O. THOMAS: Yes, the policyholders sign such statements because they have to get loans, claim payments etc. with the help of such employees of the Corporation. If they don't sign on those blank papers they won't get proper servicing. Most of them do this, much against their likings.

MR. CHAIRMAN: Why don't you bring these facts to the notice of our Minister and to the Chairman of LIC?

SHRI K. O. THOMAS: We have brought it to the notice of the Chairman, the Divisional Manager as well as the Deputy Finance Minister.

SHRI M. ARUNACHALAM: Mr. Thomas, all trade unions affiliated to the LIC are only interested in the welfare of the workmen. In the LIC there is no connection with the policyholders—the common people—Is it not so?

SHRI K. O. THOMAS: They are interested in the welfare of the policyholders, they should not indulge in these things. They should work in the LIC Office from 10 to 5. This is the policyholders' money from where they are getting the salaries. When they are getting salaries from the poor policyholders' money, it is their bounden duty to serve the policyholders satisfactorily and efficiently.

MR. CHAIRMAN: He is making a bold statement. I appreciate his boldness.

SHRI K. O. THOMAS: The L.I.C. has taken bold steps to split itself into units. In bigger units, they will be having a large numbers of employees. At least 50 per cent of them keep away from the offices and the indulge in dharnas etc. If they are working in small units having ten to fifteen persons, everybody

will be inside the office and their output would be more. It is for this reason they are opposing this Bill.

SHRI NAND KISHORE BHATT: How many instances have come to your notice? In the Southern Zone or from the offices all over India where the workers are assaulted and humiliated? Have you made any report?

SHRI K. O. THOMAS: Our own members have been humiliated intimidated and assaulted several times, In spite of letters that have gone to the superior officers, they have turned their deaf ears to these letters. We have brought that to the notice of the Deputy Minister for Finance also several times. We hope that he would do the needful to stop this goondaism indulged in by the leftist union leaders. The L.I.C. management is not in favour of the split. When the present L.I.C. is split into 5 Corporations, the L.I.C. Officers will have to go to the villages to tap rural business. In the villages they will not get modern luxuries like air-conditioned Five-Star Hotels and Rolls-Royce Cars. In the villages either they will have to go in jeeps or walk through the thorny paths.

At the time of nationalisation of Insurance, the then Finance Minister Sri Deshmukh said 'The nationalisation of Life Insurance will be another milestone on the road, the country has chosen in order to reach its goal of a socialistic pattern of society. In the implementation of the Second Five Year Plan, it is bound to give material assistance. Into the lives of millions in the rural areas, it will introduce a new sense of awareness of building for the future in the spirit of calm confidence which insurance alone can give. It is a measure conceived in a genuine spirit of service to the people. It will be for the people to respond, confound the doubters and make it a resounding success.' The point here is that they do not want to move away from the big cities. In the national interest, the Government has come out with a Bill to split the L.I.C. into 5 Corporations so that the untapped business in the

villages can be got. And it is for the good of the country.

MR. CHAIRMAN: Very good.

SHRI BRAJAMOHAN MOHANTY: You also know that in the matter of transfers, the unions interfere and stop that transfer of employees. There are a number of instances where the unions have interfered with the management in the matter of transfer of employees.

SHRI K. O. THOMAS: There were requests from the employees not to be transferred when the O.I.C. scheme was introduced in Kozhicode. The communist union interfered there.

MR. CHAIRMAN: Please do not mention the name. You simply say the union.

SHRI K. O. THOMAS: I modify it by saying that one union which owed allegiance to the Communist Party interfered in the matter of transfer of the employees. When the OIC scheme was introduced actually, everybody was transferred from the South Zone. The employees' unions interfered and prevented the mass transfers.

SHRI BRAJAMOHAN MOHANTY: Do you agree with me that the operational efficiency of the LIC is needed? You said that some unions interfered with the transfer of employees and, on account of that, there was indiscipline in the office.

SHRI K. O. THOMAS: I did not say anything like that. The efficiency has gone down because of the inaction. The employees do not do office work but they do some other work.

श्री रामलाल राही : आपने अभी एक प्रश्न के उत्तर में कहा है कि दूसरे संगठनों ने इस बिल का विरोध किया है और आपने कहा कि कम्युनिस्ट पार्टी से एफीलियेटेड होंगे लेकिन उसके बाद आप रुक गए तो मैं जानना चाहता हूँ क्या आपका संगठन रूलिंग पार्टी से एफीलियेटेड है और क्या वहाँ से आपको कोई निर्देश इस बिल को सपोर्ट करने के लिए मिले है

SHRI K. O. THOMAS: These units have affiliations to political parties.

श्री रामलाल राही : उन्होंने खुद कह दिया है कि रूनिंग पार्टी से एफ़ी-लियेण्ड है ।

सभापति महोदय : आप तो बड़े शांति-प्रिय व्यक्ति हैं ।

श्री रामलाल राही : दूसरी बात में यह जानना चाहता हूँ कि जो पुराना ऐक्ट है उसके अन्तर्गत जीवन बीमा निगम राष्ट्रीय करण के बाद अपने उद्देश्य की पूर्ति नहीं कर सका है और इसी लिए यह संशोधन विधेयक लाया गया है, जिसको कि आप सपोर्ट कर रहे हैं लेकिन पुराने कानून के मुताबिक जितना काम एल आई सी को करना चाहिए था ग्रामीण क्षेत्रों में जाकर, वह पूरा नहीं हो सका तो उसके लिए कौन जिम्मेदार है ? इसके लिए एल आई सी के कर्मचारी जिम्मेदार हैं, उसके अधिकारी जिम्मेदार हैं या सरकार जिम्मेदार है कौन जिम्मेदार है ?

SHRI K. O. THOMAS: It is management's failure.

श्री रामलाल राही : एक बात और आपसे जानना चाहूँगा । मान लीजिए यह बिल पास हो जाए, उसके बाद पांच डिबीजन् हो जायेंगे लेकिन उन पांचों डिबीजन् में वही कर्मचारी काम करेंगे जो कि आज काम कर रहे हैं तो उनके काम में अधिक एफिशिएन्सी कैसे आ जायेगी ?

SHRI S. VARADAN: There is only one corporation now. Because of that everybody goes to that corporation. When the L.I.C. is split, there will be five corporations, which can concentrate on their functions in the limited sphere. The policyholders will get better servicing from these corporations. The interest of the policyholders are also safeguarded. The decision making will also be percolated to the lower levels to the benefit of the policy holders.

MR. CHAIRMAN: Thank you very much.

(The witnesses then withdrew)

(The committee then adjourned)

RECORD OF EVIDENCE TENDERED BEFORE THE JOINT COMMITTEE ON THE LIFE
INSURANCE CORPORATIONS BILL, 1983

Tuesday, 12 June, 1984 from 1000 to 1250 hours in Committee Room, Andhra
Pradesh Legislative Assembly Building, Hyderabad.

PRESENT

Shri Mool Chand Daga—Chairman

MEMBERS

Lok Sabha

2. Shri Satish Agarwal
3. Shri Ghayoor Ali Khan
4. Shri Sunil Maitra
5. Shri Kusuma Krishna Murthy
6. Shri Janardhana Poojary
7. Shri Ram Lal Rahi
8. Shri K. A. Rajan
9. Shri M. S. K. Sathiyendran
10. Shri Natvarsinh Solanki

Rajya Sabha

11. Shri Nand Kishore Bhatt
12. Dr. Shanti G. Patel

LOK SABHA SECRETARIAT

Shri G. L. Bhatt—Senior Examiner of Questions.

REPRESENTATIVES OF THE MINISTRY OF FINANCE (DEPT. OF ECONOMIC AFFAIRS)
(INSURANCE DIVISION)

1. Shri R. K. Mahajan—Controller of Insurance.
2. Shri S. V. Narayanan—Zonal Manager, LIC, Madras.

WITNESSES EXAMINED

I. All India Trade Union Congress, 24, Canning Lane, New Delhi-1.
Spokesmen:

1. Dr. Raj Bahadur Gour,
Secretary.
2. Shri S. K. Sanyal,
Secretary.

II. Shri J. Matthan,

Ex-Chairman, LIC of India,
No. 7, Papanna Street,
Off. St. Marks Road,
Bangalore-56001.

III All India Scheduled Castes, Scheduled Tribes and Neo-Buddhists' L.I.C Employees Welfare Association, Madras.

Spokesmen:

1. Shri P. Kadirvelu,
All India Vice-President.
2. Shri S. Sundaraj,
All India Joint Secretary.
3. Shri A. Thirumaaaisamy,
South Zone Organising Secretary.

I. All India Trade Union Congress, 24 Canning Lane, New Delhi-1.

Spokesmen:

1. Dr. Raj Bahadur Gour, Secretary.
 2. Shri S. K. Sanyal, Secretary.
- The witnesses were called in and they took their seats).*

MR. CHAIRMAN: You kindly introduce yourselves.

(The witnesses introduced themselves)

MR. CHAIRMAN: Before you start your evidence, I would like to make it clear to you that your evidence shall be treated as public and is liable to be treated as confidential unless you desire that all or any part of the evidence be treated as confidential. However, I may explain to you that even though you may desire your evidence to be treated as confidential, your evidence is liable to be made available to the Members of Parliament.

DR. RAJ BAHADUR GOUR: There is nothing confidential either about the memorandum which we had submitted or the evidence which I am going to give.

MR. CHAIRMAN: Before we start, we would like to say that you oppose the Bill completely. I have read your memorandum.

DR. RAJ BAHADUR GOUR: We are not supporting the Bill. We have suggested some amendments also to certain other clauses.

MR. CHAIRMAN: What are the clauses about which you want amendments? Let me know, first.

DR. RAJ BAHADUR GOUR: In the very first paragraph of the memorandum we have said that we stoutly oppose the splitting of the Corporation.

MR. CHAIRMAN: Do you oppose all the clauses or you want to make only certain suggestions or amendments of certain clauses?

DR. RAJ BAHADUR GOUR: We have opposed the Bill *in toto* and with respect to clause 59, which provides certain amendments exemption for Post Office Insurance Fund and others, we have suggested a clauses to be added. For the rest of it, we oppose the basic idea of splitting and taking away of certain rights.

MR. CHAIRMAN: You are only saying that clause 59 should be amended. Do you not have anything to say about clause 65?

DR. RAJ BAHADUR GOUR: We want clause 65 to be amended providing rule making powers because the Union Government has wide powers which have retrospective effect also. This also we opposed.

MR. CHAIRMAN: Why do you oppose Clause 65?

DR. RAJ BAHADUR GOUR: Service conditions are always negotiable and have been so. These cannot be unilaterally amended by the employer.

MR. CHAIRMAN: Rules and regulations are provided according to the principles of the Act. Parliament, being a supreme body, makes rules and regulations according to the Act. We have given the powers to it. And these

powers are delegated to the subordinate officers to frame rules within the scope of the Act or the Constitution. How do you attack this Clause 59? After all, the rules are framed for subordinate legislation according to the powers given by the Act. Do you oppose it?

DR. RAJ BAHADUR GOUR: That way for every industry you can give the rights to the employer to change the conditions.

MR. CHAIRMAN: Certain rules may cause some hardships.

DR. RAJ BAHADUR GOUR: That is what I say. These are like the fundamental rules of the Government of India employees.

MR. CHAIRMAN: I am reading from your Memorandum:

"Clause 65 providing rule making powers to the Union Government gives very wide powers to the Government to decide the terms and conditions of service and even to give retrospective effect to them."

This is from page 4. But the power is given to the Government to make rules and regulations within the scheme of the Act.

DR. RAJ BAHADUR GOUR: I opposed to it for the simple reason that the service conditions are negotiable and the Government cannot unilaterally change it.

MR. CHAIRMAN: Why was the Act passed by Parliament in 1981?

DR. RAJ BAHADUR GOUR: That Act was there because the Supreme Court ruling was there. We challenged in the Supreme Court and the Supreme Court upheld our point of view.

MR. CHAIRMAN: Do you suggest any amendments in the clauses of the Bill?

DR. RAJ BAHADUR GOUR: We are in principle opposed to the Government to take this power.

MR. CHAIRMAN: How do you think that the Parliament cannot delegate

this power of rule making to the rule making body?

DR. RAJ BAHADUR GOUR: You cannot change the rules to the disadvantage of the employees.

MR. CHAIRMAN: After all, all citizens of the country are bound by the decision of the Supreme Court?

DR. RAJ BAHADUR GOUR: The Supreme Court has not said that the Government can make rules against the employees.

MR. CHAIRMAN: Why do you oppose clause 65 because it is always the practice to delegate the power to the rule making authority? If the rules are not made as per the directions of Parliament, any Member of Parliament can raise objection to it in Parliament.

DR. RAJ BAHADUR GOUR: There is an error in my memorandum which I want to correct. On page 4, para 8, I have said 'a case relating to Reserve Bank of India' it may be read as 'pertaining to LIC'.

MR. CHAIRMAN: Have you gone through the Act of 1956?

DR. RAJ BAHADUR GOUR: I am not bound by the Act of 1956.

MR. CHAIRMAN: Did any member of your party oppose it when it was passed in 1956?

DR. RAJ BAHADUR GOUR: I cannot say offhand. Moreover, it is not that I cannot change my opinion after that.

MR. CHAIRMAN: You seem to be a knowledgeable person. This clause is similar to that section.

DR. RAJ BAHADUR GOUR: When it was suggested in Parliament that let some insurance companies be in private sector and some in public sector, we opposed it. We said let all the companies be in the public sector.

MR. CHAIRMAN: Do you know that certain unions oppose this Bill and certain others support it?

DR. RAJ BAHADUR GOUR: Yes.

MR. CHAIRMAN: Have you gone through the Era Sezhiyan Committee Report?

DR. RAJ BAHADUR GOUR: We have criticised that report on this very point.

MR. CHAIRMAN: Do you know of the experts who examined and prepared this?

DR. RAJ BAHADUR GOUR: If experts were to be expert, then Parliament was not needed.

MR. CHAIRMAN: I think you believe in democracy and you also appreciate that power should not be concentrated in the hands of the few. Don't you think on that principle there should be decentralisation?

DR. RAJ BAHADUR GOUR: Subject to correction, in a report of the Public Accounts Committee or some other Committee too much of decentralisation was opposed saying that that would defeat the purpose of nationalisation. So, experts have two opinions. One set of experts say too much of decentralisation will defeat the purpose of nationalisation. But I have got my opinion. My opinion is that scientific management of any concern is based on certain principles—planning, staffing, organisation, direction, reporting, inspection, budgeting, every thing is part of scientific management. And unless some centralised coordination and coordinated policy is there no organisation can run in a vast country like ours. Here we have, for example given a directive to the banks to give loans at a lower rate of interest to what we call the backward districts. Now, bank says it is against its fundamental right. Why should I charge less? Here you must also see that the LIC is investing in Government securities where they get less money.

MR. CHAIRMAN: I am not on the question of investment. What I am asking you is whether you believe in this principle of decentralisation?

DR. RAJ BAHADUR GOUR: I don't support the decentralisation of all

powers. I only want routine powers to be delegated. It is something like democratic centralism where planning, allocation of responsibility is there.

MR. CHAIRMAN: When the LIC is split up into five Corporations, then the people will have a touch with the management. In other words the management will have a better touch with the people; they will be able to penetrate into villages and that they will provide better service to the policy-holders.

DR. RAJ BAHADUR GOUR: Here I will put the word 'people' in inverted commas. Actually powerful lobbies will gain by this fragmentation and the poor people like me will not be in touch with it at all. Therefore, I say it is in the interest of those people with powerful lobbies and they will certainly be happy about it and they want its fragmentation. But a Government which is wedded to planning and extra attention to the backward areas should not encourage all this.

MR. CHAIRMAN: Inside and outside Parliament we hear that the service to the policy holders is not at all satisfactory. We hear that there is a heavy wasteful expenditure. We want to curtail this kind of expenditure. For this very purpose the Era Sezhiyan Committee was set up.

DR. RAJ BAHADUR GOUR: On the question of satisfactory service to the policy holders, I would say that this can be discussed with the LIC associations and through their suggestions you can improve the service to the policy holders. But on this plea we should not split it.

MR. CHAIRMAN: You know the Public Undertakings Committee has also given their view on it.

DR. RAJ BAHADUR GOUR: You see these are servicing industries like those of road transport corporations, railways. But we have to discuss the question of proper servicing on a different plan. But fragmenting it is not a solution for it.

SHRI KUSUMA KRISHNA MURTHY: You mentioned Shri C. D. Deshmukh that while introducing the Bill he had said that the purpose of it is to touch the panchayat level of the country. But even today there are many districts which are not even having LIC Offices. And you say that this Bill goes against the fundamentals of its launching. Its objective is to see that the branches of the LIC reach the people at large, particularly in the rural areas. This was the point stressed in Parliament when he was speaking on this. I don't understand how do you say that decentralisation does not help achieve this objective.

DR. RAJ BAHADUR GOUR: I think this point was raised and I have effectively answered it. You remember in those days there were two alternatives before us. One was to have some companies left for the private sector so that competition is there. This alternative was rejected. Another was that there should be five or seven corporations, but that was also rejected. But, then he said after reviewing its working we will consider this. Now, taking over the LIC or a banking institution you will have to see it in a particular context. You know the LIC is providing incentives to policy holders in income tax. There is no rural family which is paying income-tax. Of course, the agricultural labourers are not going to insure in LIC, just to save income-tax, because they don't have to pay income-tax. After nationalisation, many branches of the LIC were opened in rural or semi-urban areas, but the question of carrying insurance to the villages is a different thing altogether. What is the incentive, I am asking, the LIC is going to give if any person is going to insure? Crop insurance—I can understand—that the GIC does. The point is that the LIC has expanded after nationalisation. If the Parliament and the Government are now wanting to take the insurance to the rural rich, you have to work out a scheme for it just like you have worked out a scheme to mobilise deposits.

MR. CHAIRMAN: What is the number of policy-holders who have been insured uptill now? Can you give me the number?

DR. RAJ BAHADUR GOUR: 245 lakhs.

MR. CHAIRMAN: I ask how many persons. I can have 4 policies, I can have 10 policies. I am only putting some questions.

DR. RAJ BAHADUR GOUR: I cannot tell you.

MR. CHAIRMAN: Then, what is the achievement after all? We know that it is a very poor achievement.

SHRI KUSUMA KRISHNA MURTHY: Many friends have said—those who are in responsible positions—that there is a lot of decentralisation. In spite of it, I am repeating the same thing, because you did not touch that point. The LIC has not reached many of the districts even—not to talk of Panchayats. How do you account for it?

DR. RAJ BAHADUR GOUR: I think that the Government must review the working of the LIC every now and then and give guidelines. Splitting LIC—how will it help?

SHRI KUSUMA KRISHNA MURTHY: Then what is your suggestion for taking LIC into the rural areas?

DR. RAJ BAHADUR GOUR: My feeling is that in rural areas it is not a question of crop insurance or general insurance. Even in the urban areas people are insuring because of certain incentives given to them on the investment in LIC. Income-tax relief is there. Unfortunately the rural population does not pay income-tax and on land revenue you are not giving any rebate.

MR. CHAIRMAN: When LIC was nationalised in 1956, what were the objectives?

DR. RAJ BAHADUR GOUR: I thought that the main object was to take control of the financial institu-

tions and to divert the finances in the way the Industrial Policy Resolution required and to see that the money generated is mopped up by way of policies.

MR. CHAIRMAN: These are not the only objectives.

DR. RAJ BAHADUR GOUR: These are the objectives of the State. The is how we took the objectives. What else could it be? Political objectives are—we have been demanding of the Government in fact even in 1956—that we must take control of the financing institutions to channelise the money according to Government priority.

MR. CHAIRMAN: These are the objectives when the LIC was nationalised—to ensure absolute security to the policy-holders in matters of life insurance, to spread insurance much more widely and in particular to the rural areas and in the direction of more effective mobilisation of public savings. One other main objective was also to conduct the business with the utmost economy and with the full realisation that the money belongs to the policy-holders. I want to know whether these objectives have been achieved.

DR. RAJ BAHADUR GOUR: My answer is that to a certain extent they have done it and to a larger extent, they could not do it due to various reasons.

MR. CHAIRMAN: Thank you very much. This is the answer.

SHRI KUSUMA KRISHNA-MURTHY: You said that once this organisation is split into five units, the objective of providing institutional finance will be defeated. I put it like this. When once this organisation is split into 5 and units and offices are set up in places where it is neglected, they will be able to cater to the needs of the region in a better way.

DR. RAJ BAHADUR GOUR: Excuse me, I beg to differ from you on that point. My answer is that financing institutions have to mop up surpluses

generated and in those areas where resources have got to be created, this cannot be done. Even in banks there are deposits-earning branches and at the same time there are liabilities and branches which are giving more advances than the deposits they get. Take for example the branches of Kurnool District. Those branches will be giving more advances than the deposits they get. So a centralised set up can do one thing, that is to syphon off these surpluses generated in one place for investment in backward areas. If distribution is confined to the backward areas and surpluses are not there then that is not possible and that is why they are backward. Then you have to find money to invest in those areas. So a centralised and planned economy is required. Now the Bill speaks of splitting up the LIC into 5 units but also wants to give autonomy to them. Unfortunately it is not only giving autonomy but is also asking them to open branches in each other's jurisdiction and thereby it is creating unnecessary competition also.

SHRI KUSUMA KRISHNA MURTHY: It is not only profit making when you are talking of insurance business, we are actually talking about the development and where definitely they can give better attention.

DR. RAJ BAHADUR GOUR: Getting policies in rural areas is not such an easy matter.

DR. SHANTI G. PATEL: You stated at page 2 of your memorandum:

"We submit that we do not agree with the two views now in circulation regarding the Management of a Public Sector undertaking—one of highly centralised and bureaucratised management and the other of total fragmentation and break up of the undertaking."

The present Bill, besides dividing the present Corporation into five zonal corporations, gives certain powers to the Government to give directions under clause 9(4) and also though it is called a coordinating body, will have certain powers for investment

when they are concerned with public securities, Government securities, public undertakings, etc. What further centralisation are you expecting? Can you enlighten us on this? It would appear, this is already within the powers of the Government to give directives, what the zonal corporations are required to do in respect of certain jobs. How do you react whether it is proportionately done, whether it is fragmented or whether it is over centralised?

DR. RAJ BAHADUR GOUR: I have gone through the entire debate which took place in March 1983 in the Conference of the Chief Executives of the Public Sector Undertakings. It is the criticism heard there that all decision making powers are so much centralised in the concerned Ministries that the managements do not have sufficient powers. However, in many public sector undertakings the Ministry concerned has worked hard for clearance of projects and given them powers. If you think that the powers of the Government under this Bill are the same as the powers to be given to the industrial undertakings, I simply disagree with you.

DR. SHANTI G. PATEL: In other words, there is no other fragmentation which you have suggested.

DR. RAJ BAHADUR GOUR: These powers are there. I am opposed to that type of bureaucratic powers. What I want is that the management of the industrial undertakings should be free. The point is, initiative has to be taken. They will have to take decisions. They will have to do lot of deposit mobilisation and also do it for proper investment. I agree that some guidelines have to be given. But the industrial undertakings cannot be managed if they are totally fragmented, or if it is highly centralised, like the IDPL management here.

DR. SHANTI G. PATEL: You have referred to the various democratic rights which are sought to be taken away by this Bill. Can you enlighten us about such rights of the employees

in certain other countries other than this right of association, right of collective bargaining etc.?

DR. RAJ BAHADUR GOUR: I think it is an ILO recognised right about uniform collective bargaining. The point is that trade unions have come to stay in our country in LIC, GIC. We have entered into agreements also, may be after a strike or without. Taking away this particular power of the employees, is itself going to be undemocratic.

DR. SHANTI G. PATEL: Would you enlighten us about rules in other States? Or, are you aware, as an example, that in the United States workers are given certain political rights?

DR. RAJ BAHADUR GOUR: May I seek your indulgence? That is separate.

DR. SHANTI G. PATEL: If I go and place a trade union symbol on the car of an employee, he can be prosecuted.

DR. RAJ BAHADUR GOUR: I agree.

DR. SHANTI G. PATEL: Now, the Era Sezhiyan Committee has made certain recommendations that there should be zonal corporations. What is your view on that?

DR. RAJ BAHADUR GOUR: We have mentioned that in the memorandum. I have made it very clear in the beginning that various policy holders get various benefits.

DR. SHANTI G. PATEL: I have very carefully gone through your memorandum. Suppose, if the Bill is modelled on that Committee report would you like to subscribe to it?

DR. RAJ BAHADUR GOUR: Do it and then I will give you my views.

श्री रामलाल राही : गीड़ साहब; जहाँ तक इस बिल का तात्पर्य है, उसमें कहा गया है कि हम एस ग्राई सी के काम को गांवों तक ले जाना चाहते हैं, गांवों में फैलाना चाहते हैं ताकि ज्यादा से ज्यादा हमारे ग्रामीण क्षेत्रों के लोग

फायदा उठा लें। इसीलिए इसको पोष भलग-भलग भागों में बांटने का विचार है। मैं आपकी राय इस बारे में जानना चाहता हूँ कि मान लिया जाए कि सरकार इस नये बिल को वापस ले ले और पुराने अधिनियम को ही लागू रहने दे तथा उसमें कुछ संशोधन कर दे तो क्या बिलेज लेवल तक एल आई सी के काम को फैलाया जा सकता है? दूसरा प्रश्न मैं यह जानना चाहता हूँ कि एल आई सी का काम अभी तक गांवों में नहीं फैल सका, इसको आप भी मानते हैं और इसी कारण सरकार को यह बिल लाना पड़ा। पुराने अधिनियम में क्या कमियां रहीं, क्या कारण रहे कि एल आई सी का काम गांवों तक नहीं फैल सका और उसके लिए कोन जिम्मेदार है?

डा० आर० बी० गोड़ : मेरी अपनी राय यह है कि जब से पुराना अधिनियम बना है, सरकार ने कभी इस ओर ध्यान नहीं दिया कि एल आई सी के काम को गांवों तक फैलाने के लिए क्या प्रयत्न किए जाएं, क्या कदम उठाये जाएं? सरकार का इस मामले में क्या रोल होना चाहिए और एल आई सी का क्या रोल होना चाहिए क्योंकि सरकार और एल आई सी दोनों को मिलकर प्रयत्न करना चाहिए अन्यथा कामयाबी मिलना मुश्किल है।

श्री रामलाल राही : क्या इसके मायने में यह लगाऊँ कि आपकी राय के अनुसार एल आई सी को पांच भागों में विभक्त करने पर सरकार जितना पैसा खर्च करने जा रही है, यदि वर्तमान अधिनियम को ही संशोधन करके उतना पैसा सरकार इसके विकेंद्रित करने पर खर्च कर दे तो इस उद्देश्य को हासिल किया जा सकता है और गांवों के स्तर तक एल आई सी का फैलाव किया जा सकता है?

श्री आर० बी० गोड़ एल आई सी के प्रोजेक्ट्स को हासिल न करने का एक यह भी कारण रहा है कि हमने उस तरफ उतना ध्यान नहीं दिया, जितना देना चाहिए था। यदि सरकार ऐसा करती है तो पहले से ज्यादा पोलिसी होल्डर्स बनाये जा सकते हैं?

श्री राम लाल राही : आपने एक बात और कही कि एल आई सी को राष्ट्रीय-कृत करने के पीछे मुख्य उद्देश्य यही रह था कि इसको विकेंद्रित किया जाए। लेकिन वैसा अभी तक कुछ देखने में नहीं आया। उसके क्या कारण आपकी राय में रहे हैं।

डा० आर० बी० गोड़ : उस समय ऐसा प्रोजेक्ट नहीं था, बल्कि सी० डी० देशमुख साहब ने कहा था कि इस पर भी गौर किया जाएगा। उनका ऐसा कथन था।

MR. CHAIRMAN: He did not say that. He said that if the Corporation does not function well, it can be fragmented.

DR. RAJ BAHADUR GOUR: That is the unfortunate sentence in it.

SHRI SUNIL MAITRA: The object of the Bill is to spread the life insurance widely in the rural areas. When the object of the Bill says that the achievement of LIC was fairly impressive, then where is the need for fragmentation?

DR. RAJ BAHADUR GOUR: Expansion of rural business is a matter to which the Government and all other institutions have to put their heads together. It has to be taken at the Government's policy level. State Governments have to be involved.

SHRI SUNIL MAITRA: In the context of the LIC, decentralisation means 'decentralisation of powers and functions', to the branch offices. Are you aware that about four years back LIC accepted a very wide range of deci-

sions which were going to delegate powers to the branch offices?

DR. RAJ BAHADUR GOUR: I am aware of it. I am also aware of the other fact that some of the powers could not be utilised because of some other factors. I am not asking for centralised powers.

SHRI SUNIL MAITRA: The question of decentralisation does not necessarily mean that LIC should be split into five corporations. Does it mean that the services of the corporation would improve?

SHRI S. K. SANYAL: The question is powers to whom? We are at the moment opposed to fragmentation. We want that the LIC should go to rural areas. What we are supporting is decentralisation of powers so that the functioning of the LIC can be without constraints and/or free from unreasonable constraints.

MR. CHAIRMAN: So, you agree in principle with decentralisation. Will you kindly suggest certain amendments in the Bill itself?

DR. RAJ BAHADUR GOUR: I am sorry, the Bill cannot be amended. A new Bill should be brought forward.

SHRI SUNIL MAITRA: Now, I come to the point of Service Tribunals. The constitution as envisaged in the Bill is that the President of the Tribunal will come from the Judicial service, but the Government has a right to appoint two more judges, who will come from the service not below the rank of Directors. Now, if you examine the functioning of the Life Insurance Corporation or perhaps the working of the public sector undertakings for even small things, the public sector authorities have to refer to the Government for sanction. Only if the Government gives previous sanction, it is possible for the public sector management to listen to the employees and the workers. Now, these two judges come from the service. That means the very same persons will be advising the Government, who is sitting on the judgment on matters of

hearing the grievances. Don't you think it defeats the purpose of employees grievances being redressed?

DR. RAJ BAHADUR GOUR: In such a situation I don't know whether there will be any trade union at all. This amounts to compulsory adjudication. I want voluntary arbitration. It should be left to the individual if he wants arbitration or not. On the other hand why not the joint committee of the Union and Management decide things? You are taking all powers which the Union legitimately has. Therefore, firstly, I am opposed to this whole idea. After this Bill is passed into law, there will be no need of associations.

MR. CHAIRMAN: Please refer to Clause 32. It says that no application for redressal on any grievance with respect to service matters shall be entertained by the Service Matters Tribunal until the applicant has exhausted all the remedies available to him under the Rules and Regulations orders relating to terms and conditions of his service. It is on page 17, proviso to Clause 32.

DR. RAJ BAHADUR GOUR: Sir, we are opposed to the Service Tribunal idea since it kills the idea of collective bargaining. This will only prove to be a facade of a tribunal.

MR. CHAIRMAN: You only want to have bargaining power.

SHRI S. K. SANYAL: Even in the existing Court of Inquiry Act when the assessors are appointed generally officers of both the sides are put up. But here, as conceived, it speaks that only the prosecuting officers and only the highest officers become the judges.

MR. CHAIRMAN: Suppose, we do not put up the Officers of the LIC and instead put a judicial judges or the retired civil judicial officer, how would you react to this?

DR. RAJ BAHADUR GOUR: I would say where is the need to take away all this from the LIC unique relationship.

SHRI NAND KISHORE BHATT: Your Memorandum has been prepared with best of skill and understanding. You have got certain views, and I feel there is no use going on discussing those points. First you know LIC is not an industrial concern. I think it will be wrong to say that the voice of the workers is not being heard. When that is the case, the conditions of service, wages, etc. of the LIC employees should not be a model for others. Now it has been taken away from the Industrial Disputes Act, but to say that their rights are being taken away is a wrong propaganda. We are all committed to nationalisation. You will agree that by splitting the corporation, there is no intention to delink it. Looking to the past performance, do you think that the LIC has been able to achieve the objective. To say that the profit is not there is not correct. Looking to the GNP and the size and the requirements of the country, we need money for development. Where from will the money come? Whatever money we get does not meet the requirements. What is your suggestion in this regard?

DR. RAJ BAHADUR GOUR: You are creating five all India LICs. How is it going to help you?

SHRI NAND KISHORE BHATT: By competition and by giving incentive.

DR. RAJ BAHADUR GOUR: The idea of competition has not been accepted by Dr. Deshmukh when he introduced the Bill.

SHRI NAND KISHORE BHATT: In the present trend, when will it come up to the expectation of the people?

DR. RAJ BAHADUR GOUR: Are we competing with the Lever Bros, if we have a small soap factory?

SHRI NAND KISHORE BHATT: Our objective is very limited. There will be five autonomous corporations in the public sector—in the nationalised sector. It is not going into the private sector.

DR. RAJ BAHADUR GOUR: According to me, creating competition

amongst the public sector undertakings means creating an unhealthy example and creating unnecessary problems.

SHRI S. K. SANYAL: We have the experience of Coal India Ltd. after nationalisation and after various units of CIL are functioning autonomously, their work is being coordinated. I do not know if you were there in that meeting which was attended by Mr. Mohan Kumaramangalam and Mr. T. A. Pai. All of them attended and they brought forward this concept of a holding company—that is a sort of centralisation and they made the Secretary the chairman of the holding company. So instead of these autonomous units, can you not find out some way for greater disbursement of powers to the zones?

SHRI KUSUMA KRISHNA MURTHY: You said about the objectives. Have you not heard that some banks extend more and better services to the people compared to the other banks which have been nationalised?

DR. RAJ BAHADUR GOUR: About banking also that Commission was formed—the Commission for re-organisation on banking. The Manubhai Shah Commission. Unfortunately that commission was wound up. There is a demand that certain re-organisation must take place and that unnecessary competition in banking is creating multiplicity of organisations.

SHRI KUSUMA KRISHNA MURTHY: Some people say that so and so bank is extending better services compared to so and so bank. That is a healthy competition. Don't you think so?

DR. RAJ BAHADUR GOUR: That does not mean that services can be expanded by splitting the bank. For example, I am connected with the Bank Employees' Organisation. We are holding meetings with the bank clientele, the units and the employees and we are trying to understand the problems and we also go in for canvassing of deposits. My own experience of Andhra Pradesh is this. We have been agitating for it with every

Chief Minister. We have also met him. You have created a number of rural banking organisations. viz. Gramen Bank, co-operative banks, commercial banks, farmers' service organisations, lead banks; a multiplicity of agencies without proper co-ordination among them. And all this is leading to more overhead expenditure compared to the actual benefit that accrues to the people. So we need at the district level a certain co-ordination and not competition. They should be complementary to each other. The idea that is being pleaded and agitated here is that these organisations have to be complementary and not competitive, because the moment they begin to compete, the overheads will increase, on publicity and so many other things and in a public sector organisation we need not spend so much on that account.

SHRI KUSUMA KRISHNA MURTHY: They are almost complementary and not competitive.

DR. RAJ BAHADUR GOUR: They are almost competitive.

SHRI KUSUMA KRISHNA MURTHY: They are not substituting each other; they are supplementing each other.

DR. RAJ BAHADUR GOUR: If that be the case, why should then the peasant go to a number of windows? Why can't he be served by a single window?

SHRI SATISH AGARWAL: It has come on record that you have been a Member of Parliament. Would you kindly state during which period?

DR. RAJ BAHADUR GOUR: 1952—62. I left the Parliament with Dr. Radhakrishnan.

SHRI SATISH AGARWAL: Are you associated with some of the insurance employees' organisations?

DR. RAJ BAHADUR GOUR: No.

SHRI SATISH AGARWAL: Are you aware that it is only a negligible percentage of insurance employees who are supporting this Bill while the

majority of the employees are opposing it?

DR. RAJ BAHADUR GOUR: That I can see in the literature of trade union organisations. Only INTUC is supporting the split. We have requested them to reconsider. We are fraternal organisations. So we argue with each other. The fact that the majority of the employees are opposed to it for reasons that this will loose membership. On which some papers have laid emphasis is not correct. The thing has been ascribed to the hon'ble Chairman. In a letter to me he has said that he has not issued any such statement. I also want to make it very clear that some papers have said that only the communist trade unions are opposed to it and the rest are not; that they fear that they will lose membership if the fragmentation takes place. I just cannot understand that idea because we are in a union. Even in a small factory, if there are 25 workers we have a union. So also in a large organisation employing 5 lakh workers. That is no problem for any trade unions. It is not from the point of view of functioning of the trade unions. We find our way to function. That is not at all our point. Our point is that even LIC employees are opposed to the Bill. Their opposition to the Bill is from this point. Principally they say the policyholders will suffer. I was reading through their journals. There may be no bonus in many zones. All those things they have said. There will be different quantum of bonus. They have also gone on record saying that after nationalisation a lot of expansion has taken place. Those matters are to be studied and then what further improvements have got to be done, that has to be done through mutual discussions between management, employees and the clientele.

SHRI SATISH AGARWAL: The only difference in the existing LIC set up and the revised set up as envisaged in the Bill will be only, in my opinion, that there will be five Chairmen and the rest of the set up will be the same. So the functioning of the LIC will

practically be the same. It will not make much difference except that four more Chairmen will be appointed. So the intention of the Government to take the insurance business to the rural areas can be achieved by creating more incentives to the rural people to invest more funds. There will be no other difference except that there will be five Chairmen and five corporations.

DR. RAJ BAHADUR GOUR: But it will result in increase in the overhead expenditure of the LIC.

SHRI SATISH AGARWAL: There is no other provision in the Bill which can under the existing LIC Act, increase the business in the rural areas. There is no other scheme.

DR. RAJ BAHADUR GOUR: If any hon'ble Member can point out to any clause giving powers to the Government, to give directions, I will say that it can do it even otherwise.

SHRI SATISH AGARWAL: Do you mean to say that the Government is itself responsible for this? They are thinking why take it to the rural areas?

DR. RAJ BAHADUR GOUR: It can be inferred like that.

SHRI JANARDHANA POOJARY: You have stated that there is a lobby in the country and on account of that lobby this has been the result. This splitting resulted from it. Am I correct?

DR. RAJ BAHADUR GOUR: Well, I think you are putting a little too much in my mouth. What I said was that there was opposition, in Parliament and outside, by certain People. At Delhi many trade unions have expressed against this splitting; within the present LIC this view is expressed. Today even now, there is a powerful lobby for splitting and unfortunately the public sector has got no lobby to plead its case.

SHRI JANARDHANA POOJARY: You say that this is the result of that lobby.

DR. RAJ BAHADUR GOUR: May be. The point is that agitation was going on.

SHRI JANARDHANA POOJARY: Do you know Mr. Era Sezhiyan?

DR. RAJ BAHADUR GOUR: I do not know him personally.

SHRI JANARDHANA POOJARY: He was an employee of the LIC. He is a man of integrity.

DR. RAJ BAHADUR GOUR: I have not challenged the integrity of anybody. I have only stated about the losses involved in splitting.

SHRI JANARDHANA POOJARY: The question is integrity is doubted, the integrity of the Government is doubted, and I am putting it, that Mr. Era Sezhiyan has recommended the splitting of the LIC.

DR. RAJ BAHADUR GOUR: May I also suggest that there are equally important economists who feel it otherwise? I do not doubt their integrity.

SHRI JANARDHANA POOJARY: You have doubted the integrity of the Government.

DR. RAJ BAHADUR GAUR: I have stated that there are two highly centralised lobbies. Intellectuals can differ.

SHRI JANARDHANA POOJARY: Other Committees have also recommended it.

DR. RAJ BAHADUR GAUR: Committee is a Committee. If the Committee report is to be accepted completely then why have a Parliament at all?

SHRI JANARDHANA POOJARY: In the rural areas very poor people of the weaker sections are there, and we cannot mop up any resources and unless we give income-tax benefit they will not go in for LIC policies.

DR. RAJ BAHADUR GAUR: For industrial workers there is a scheme for giving all benefits and pension etc. In the villages there is no such thing.

SHRI JANARDHANA POOJARY: To which party did you belong while in Parliament?

DR. RAJ BAHADUR GAUR: C.P.I.

SHRI JANARDHANA POOJARY: In Andhra Pradesh there are 22 districts. In Karnataka there are 19. We do not know the number in Tamil Nadu. But there are 57 districts in the country where there is no single LIC office. Do you know?

DR. RAJ BAHADUR GAUR: I do not know how this fragmentation will solve that problem.

SHRI JANARDHANA POOJARY: About trade unions I can tell you. If this independent corporation, an autonomous corporation is concentrating its business through activities in one region and not in the other regions, or as you say if due to competition one corporation is doing better than the other it may be for the better. For example, if the corporation of one region is 17 per cent effective and in another region it is 23 or 25 per cent, we can say that the second corporation is more efficient than the other. If such competition is there, we can penetrate into rural areas, meet people and introduce such element of competition. Are you appreciating it?

DR. RAJ BAHADUR GAUR: No trade union would surrender its right of bargaining. There will be unions and they will be there to agitate if the workers' rights are curtailed. Nowhere in the world there is a competition with all these protectionist walls. To tell us that free and frank competition is going to help is something which is not intelligible to us. The result would be that one corporation would become sick and you would like to think of winding that up.

SHRI JANARDHANA POOJARY: When there are five Chairmen and close monitoring is there and there the Chairman will be accountable will they not do more business?

DR. RAJ BAHADUR GAUR: I am sorry I cannot purchase your ideas.

SHRI S. K. SANYAL: Clause 64 goes against the basic tenets of article 19 and read with article 19 it strictly goes against the judgments of various High Courts.

MR. CHAIRMAN: Kindly give a copy of those judgments.

SHRI S. K. SANYAL: I can give you the references. AIR 1967 Madras page 392 K. Dakshnamurthy versus the State of Madras AIR 1980, second volume, table 50, para 2 Andhra Weekly Reporter page 73 in Kalluri Vasaya case.

MR. CHAIRMAN: Thank you very much.

(The witnesses then withdrew)

II. Shri J. Matthan, Ex-Chairman, LIC of India, No. 7, Papanna Street, Off. St. Marks Road, Bangalore-56001.

(The witness was called in and he took his seat).

MR. CHAIRMAN: Before you start, I may point out that in accordance with the provisions contained in Direction 58 of the Directions by the Speaker, your evidence shall be treated as public, and is liable to be published, unless you specifically desire that all or any part of the evidence given by you should be treated as confidential. Even though you might desire your evidence to be treated as confidential, such evidence is liable to be made available to the Members of Parliament.

To the question of improving services to the policy holders and giving better financial cover, if I add conducting the business with utmost economy and with the full realisation that the money belongs to the policy holders, can it be included in this?

SHRI J. MATTHAN: Yes, it can be, but it is covered under point No. 8.

MR. CHAIRMAN: Development of a dynamic and vigorous organisation

under a management dedicated to the spirit of trusteeship,— can it also be covered under this?

SHRI J. MATTHAN: Yes.

MR. CHAIRMAN: You have said that spread of message of life insurance as far and as wide as possible can be done beyond the most advanced urban areas. But in your last paragraph on page 16, in regard to the objective of most effective spread of life insurance business in rural areas you have said that there would be a marginal advantage in having decision-making relating to the development strategies located at five centres rather than as at present at Bombay. If the intention, for example, is to improve the spread of rural business in Tanjavour District of Tamil Nadu, the strategies for the purpose adopted at Madras could have better chance of succeeding than the ones evolved in Bombay.

SHRI J. MATTHAN: What I was trying to say is that there will be a marginal advantage in having decision making at five places rather than having it concentrated only in Bombay.

MR. CHAIRMAN: So, you agree with the idea of splitting the LIC into five Corporations.

SHRI J. MATTHAN: I have mentioned that it will have a marginal effect in improving rural business. Certainly by having decision making for Eastern area at Calcutta, the problems of Assam will be better understood than having decision taken in Bombay.

MR. CHAIRMAN: Would you have any objection, if five corporations compete with each other on identical terms and conditions of policy, including the premium rates and bonus?

SHRI J. MATTHAN: I personally think any competition will be expensive. Instead of bringing down the costs of insurance, competition will increase costs. If the competition is on common policy terms and with common bonus, it can be considered, but in my view if each Corporation is

to open offices at various centres of the country, this will push up costs resulting in reduction of and the bonus or increase in the premium rates. Therefore, I do not favour competition. If the LIC is split into five independent non-competing Corporations with common premium rates, it is worth examining, but if premiums rates and bonuses are different then such a split up is not advisable because of practical difficulties.

MR. CHAIRMAN: If the business increases, don't you think that the cost will come down?

SHRI J. MATTHAN: My impression is that even if business increases (which is doubtful) in such costs will also go up, disproportionately.

MR. CHAIRMAN: You have stated in the Memorandum that the competition among the Corporations will generate mal-practices, you would have gone through Clause 20 of the Bill in which the functions of the LIC Board have been laid down. Would the LIC Board not be able to properly coordinate the functions of the new Corporations so that no mal-practices develop?

SHRI J. MATTHAN: If I may say so the functions given to the Life Insurance Board are unimportant ones.

MR. CHAIRMAN: The functions of the board are:

(a) to suggest the measures for coordinating the working of the Corporations;

(b) plan and organise training of
(i) persons included in the Management Cadres and lay down norms for training of various persons in various other Cadres;

(ii) insurance agents;

(c) inspect at all reasonable times the Offices of the corporation;

(d) provide for research and evaluation of life insurance schemes;

(e) provide assistance and guidance in relation to following viz; (i) mortality and actuarial investigation on all-India basis in respect of as-

surse lives, annuitants, impaired lives covered under group insurance and pension schemes and fixation of all common rates standards; (ii) research and development of new plans for intensive development of life insurance business and meeting expensive insurance needs for various sections of the community; (iii) coordinating the activities in the matter of conducting periodical actuarial evaluation review the procedures and practices in the working of the Corporations at all levels;

(g) perform such other functions as may be prescribed.

Will these functions have a good effect on the Corporation or not? How will it encourage mal-practices then? Will it not be a check when we are having a board?

SHRI J. MATTHAN: I don't see how the Board will have a check. The functions of the Board are peripheral functions.

MR. CHAIRMAN: It will see the functioning of each Corporation.

SHRI J. MATTHAN: I don't think there is any possibility of exercising control on mal-practices which were in evidence to pre-nationalisation days when we had 200 companies competing with each other. We then had many mal-practices. If we have competition between five corporations at any one centre, in my view the same sort of mal-practices are liable to appear. I don't think any Board in Delhi will help in mitigating these mal-practices.

SHRI NAND KISHORE BHATT: You must have had an occasion to make a comparative study of life insurance business in different parts of the world. In USA there are so many insurance companies and still they are making good business. Why it is not possible in your country? Because today in the present structure it has come to this, I should say, sort of situation where I do not think it will be more. The idea is that if we have

five corporations and give them a chance to work—because you know we have not been able to reach the nook and corner of this country in the present set up. It is not possible today. Over the years we have not been able to take the business to the nook and corner of the country. So the solution is splitting the corporation. The objective is to mop up more capital and have more resources and involve the people in the process of development. From that point of view what do you feel? You say there will be a marginal profit and not much. Don't you think that when you compare the sort of working with the other countries, we also have an opportunity to expand business?

SHRI J. MATTHAN: Looking to the performance of LIC, I would say that the performance has been very good in many aspects. And that has also been mentioned in this draft Bill—which compares the performance of the organisation in pre-nationalisation days and what has been achieved in the last 25 years. Certainly the performance has been spectacular in terms of the money we have mopped up. Not that we have reached the saturation point. The business is going up year after year and very substantially.

Conditions in USA are very different from those in India. We have a monolithic corporation here. That was decided in 1956. If it was decided to have five corporations like the GIC from the beginning itself, that would have been a different matter. Now after 27 years of working we suddenly switch over to a competitive arrangement my view is that it is not going to improve the existing situation. There are many things which outweigh the possibility of any improvement. The main thing is that there would be more expenses. The theory that costs will go down, I do not subscribe to it.

SHRI NAND KISHORE BHATT: If the business increases, naturally:

SHRI J. MATTHAN: My view is that would not happen.

MR. CHAIRMAN: How do you say that the malpractices will increase by splitting it into five corporations?

SHRI J. MATTHAN: Malpractices of various kinds were in existence and to an extent they continue also. If we have five agents approaching a prospective policy-holder, say, on equivalent premium rates, well, there will be a lot of opportunities for agents and the field staff to misrepresent. That is what happens. They mislead policy-holders. When you have five persons trying to approach the same person, all sorts of illegal and irregular inducements to insure will be there. It is happening even now, but it is on a scale which can be controlled because you do not have competition. These irregularities are being controlled but not fully controlled. But if you have five corporations trying to get business from one centre, certainly, in my view, having some background in pre nationalisation days, I should say that there will be many attempts at malpractices.

MR. CHAIRMAN: Then they are better controlled by the Chairmen and the officers.

SHRI J. MATTHAN: In theory it is possible but in practice it does not work.

SHRI NAND KISHORE BHATT: Today if you have only one agent, his capacity is limited. But if there are more people, they will reach more people.

SHRI J. MATTHAN: What prevents the existing Corporation itself from recruiting more agents? The problem is not in numbers but to get the right type of people to represent the LIC. If you look at the statistics of the agents, the number of agents is far less now than it was 10 years back, because the LIC has become very selective in the recruitment of agents.

SHRI NAND KISHORE BHATT: You have not taken the business all over the country. In the present set up how is it possible? There are places

which do not know anything about insurance.

SHRI J. MATTHAN: In my memorandum I have said that this is one of the failures. In my view the splitting up of the corporation is not going to have much effect. It is not suddenly going to improve the rural business. The difficulty I have said and I have explained the difficulty also and it is one of having good agents in rural areas, to stay in the villages and evince sustained interest in the business. That is difficult in the rural areas. Many of them drift to the cities. The problem of the LIC is that they have not been able to build up a stable agents' force in the rural areas. The same thing will apply whether you have five corporations or one corporation.

SHRI KUSUMA KRISHNA MURTHY: Based on your memorandum some point of clarification. You said that even for spreading to rural areas there will be only marginal advantage. Then dependable agents are not available in rural areas. They have to take a lot of time. You know the industrial policy of the country. We have seen that there are so many difficulties in successfully pursuing. In spite of these basic difficulties, with your rich experience how will you turn these undependable agents into dependable agents?

SHRI J. MATTHAN: I do not know. I have been out of LIC for some year. In my time we started a Rural Career Agents' Scheme and the whole concept was to subsidise the agents during the first one or two years so that they could be built up, to get them going for some time until their commission starts coming in. That was a scheme introduced in 1978. I really have no information how it is succeeding. You subsidise the agent. He finds it difficult to survive in the rural areas because he has to cover long distances. He has got to be supported particularly in the early stages by the LIC by subsidising him. That scheme did succeed to some extent and particularly in the southern areas. I have no

exact information whether that scheme continues now. That is one possibility—that you support and subsidise the agent in the rural area by paying him not merely the commission but by paying him a stipend. That is one possibility.

SHRI KUSUMA KRISHNA MURTHY: Suppose we give this kind of incentives, are you sure the rural business will pick up?

SHRI J. MATTHAN: It should be possible if it is done in a sustained way.

SHRI SUNIL MAITRA: You have been Chairman of the Life Insurance Corporation. Now when we discuss the question of competition and when the Bill visualises that there will be five corporations, roughly on zonal basis, even the economic potentialities of the different zones are not the same. Take for example, the Eastern Zone comprising Bihar, Bengal, Assam, Orissa and the North-Eastern States. Their economic potentiality and the economic potentiality of the Western region comprising Maharashtra, Goa etc. may not be the same. In such a situation the concept of competition may not mean anything. Is it possible for the Eastern zone to compete with the Western Zone?

SHRI J. MATTHAN: While I entirely agree with you that the economic potential in various zones is not the same, as I have stated in my memorandum it is not the potential but the cost of getting business which is more in the Eastern Zone. Also mortality experience in the Eastern Zone is more adverse than in any other area, whatever may be the reasons. So, to compare the Calcutta corporation with the Bombay Corporation will not be fair.

SHRI SUNIL MAITRA: There is an enabling provision that if any particular corporation wants it can open branches in those zones. Is it possible for the Eastern Zonal corporation and the Western Zonal corporation to compete and then it is

possible—I do not say that it is not possible—but the scenario that is gradually likely to emerge will be that one corporation would be doing better than the other corporation. In such a situation, will it not come to this that Corporation 'A' will be giving more bonus to the policy holders because their surpluses allow it, while the Corporation 'B' will not be able to give that much to its policy holders? Corporation 'A' may be able to reduce its premium rates, while Corporation 'B' may not. In such a situation there is a possibility of Corporation 'B' being closed by the Government or being absorbed by Corporation 'A'. Do you think, that in an all-India Corporation such a scenario may emerge?

SHRI J. MATTHAN: I think I have stated in my memorandum that these corporations cannot compete. The bonus being paid by the Bombay Corporation will in course of time be more than that paid by the Calcutta corporation. Anyone, who understands the subject will realise that the Bombay Corporation (or the Delhi Corporation) is in a position to give better bonuses or reduce its premium rates.

SHRI JANARDHANA POOJARY: You have stated in your memorandum that there will be marginal advantage if the present Corporation is split into five zonal corporations. Do you think that it would be better for development of insurance in the rural areas?

SHRI J. MATTHAN: Well, if we were to study the original LIC Act of 1956 it gives enormous powers to its Zonal Managers. The Zonal Manager theoretically has many powers. But during the last 25 years these powers could not be exercised by the Zonal Managers. He cannot recruit a single staff member without the approval of the central office. I entirely agree that if the 1956 Act has been implemented in the spirit and the better then this problem would not have arisen. Zonal Managers have been given comprehensive powers.

SHRI JANARDHANA POOJARY: How do you get over this dilemma? How to avoid this risk of over-centralisation of authority in the Bombay or Central office?

SHRI J. MATTHAN: As I said, one way would be to split it up, but to have a single actuarial valuation, that is, there should be no question of different premium rates or different bonus rates. If these five corporations do business in their respective areas there should be no problem. That should be a good arrangement.

SHRI JANARDHANA POOJARY: What about the difficulty pointed out just now, that some of the agents are weak agents? Just now an example was given regarding the Eastern and the Western Zonal corporations. This infirmity persists.

SHRI J. MATTHAN: This question of competition does not arise. Eastern Zone will not compete in Bombay. It will be in Calcutta only. That is why I suggested that there should be common actuarial valuation and identical bonus and premium rates.

SHRI JANARDHANA POOJARY: You have stated that the rural business may be increase if the branches are given more powers and facilities. Would you like to explain this further, as to what sort of powers and facilities are to be given to them?

SHRI MATTHAN: The LIC is doing every function, from the covering of risk and issue of the policy to the settlement of the claim through the branches. That is how the service can be improved, not by splitting up the Corporation. The work of issuing policies and, up to settlement of claims, it must be done honestly and sincerely, then only the service can be improved.

SHRI JANARDHANA POOJARY: Would you like to give some suggestions regarding the composition of powers, the present powers and regarding the zonal corporations? What should be the qualifications of the persons who should be nominated on

the Board? Who should be the members of the Board?

SHRI J. MATTHAN: I would say that these should not be political appointments. They should be people who are experts in various fields who can make some contribution.

SHRI SATISH AGARWAL: We would have welcomed the memorandum in a much more detail because you have been the Chairman of the LIC and this Committee would have benefited much more if you would have given a little bit of detailed memorandum. Even then you have very precisely conveyed your views and we are thankful to you. You have referred to the pilot scheme. Can you say something about that?

SHRI J. MATTHAN: Mr. Ishwar Dayal was appointed as a consultant when I was the Chairman in 1979-80. LIC started this new scheme as a pilot scheme at three places—Delhi, Bangalore and Cuddappa division in Andhra Pradesh. This was started in 1981-82. Now that scheme has been introduced all over the country and they are in the process of implementing that scheme throughout the country. About this pilot scheme, in certain divisions it has been quite a remarkable achievement. By and large, I think, the effect of this scheme has been really very good. People complain about bad servicing in LIC. That is true. What is happening is that in some offices the servicing is not good. There are no uniform standards. The old Oriental company, a very good company, used to take more than three week to grant a loan. Now, in a branch office of LIC a policy-holder gets loan within a day. But there is a scope for improvement. In a division like Udipi we have very good servicing.

SHRI SATISH AGARWAL: If the bonus and premium are kept uniform then perhaps, you have no objection to splitting up LIC. If there are five individual corporations without any competition, even then the policy-holders

will have the option to attach to any of the corporations.

SHRI J. MATTHAN: No, that will not be there.

SHRI SATISH AGARWAL: Have the premium rates been ever revised since 1956?

SHRI J. MATTHAN: Several times. But very substantial reduction was with regard to life policies and without profit policies, the practice all over the world is not by and large to reduce premium of 'with profit policies'. We have studied the practice in U.K. The LIC has adopted the practice as is prevalent in most of the countries of the world that on 'with profit policies', the premium rates are not reduced, but bonuses are increased.

SHRI SATISH AGARWAL: Would you agree that the bonus rates are very low as compared to many other countries?

SHRI J. MATTHAN: Bonus rates of the LIC have been increasing rapidly. Life insurance is not an investment in that sense. In many countries of the world, traditional life insurance is a very marginal activity. People go in more and more for term insurance. This is what is happening in the west. The trend of endowment policies and whole time policies is decreasing. In India there are certain inherent difficulties.

SHRI SATISH AGARWAL: Is it your experience that mostly the policy-holders belong to the categories of income tax payees?

SHRI J. MATTHAN: I do not think so. The sum assured in pre-nationalisation days used to be 3000. Now it may be Rs. 15,000. The bulk of the policy-holders are insuring for the first time. We have a large number of policy-holders. But we have the bulk from small people and from the salaried class. We get a lot of business from them.

SHRI SATISH AGARWAL: There was a suggestion made by Mr. Joshi, ex-Chairman of LIC that this insurance particularly, in rural areas can be assigned to the State Bank of India or the postal

branches so that they can mobilise rural business. Or we can have a Rural Insurance Corporation separately floated by the Government to do the business in the rural areas with less premium rates, more attractive terms for agents as we have got for the rural banks. How do you react to this suggestion?

SHRI J. MATTHAN: It could perhaps be examined, but I really do not know how they are going to mobilise the savings more effectively.

SHRI SATISH AGARWAL: Can the spread of the message of insurance to the rural areas be carried out through the post offices or through the 6,000 or 7,000 branches of the State Bank of India or can we have a separate Rural Insurance Corporation?

SHRI J. MATTHAN: I have already said that it is worth examining.

SHRI SATISH AGARWAL: How do you react to the suggestion that this particular insurance business can also be assigned to the GIC and vice-versa so that there can be much faster spread of insurance in the rural areas instead of our having five competing corporations for the purposes?

SHRI J. MATTHAN: I have some experience in this. Perhaps you are aware some years ago the Life Insurance Corporation did General Insurance also. Even in the Companies in which I was prior to 1956, we had composite companies doing the life insurance business and general insurance business. But my experience is that a person who really took up life insurance business was not generally successful in general insurance. The same is true in vice-versa also. Even in the LIC when we had the General Insurance Department still our Divisional Managers always regarded general insurance as a very subsidiary activity. So I don't know whether it will really have a good effect on mobilising savings through insurance.

SHRI SATISH AGARWAL: Are you of the firm opinion that without splitting the

LIC, with more powers decentralised to the Zonal Office, and giving a better thrust to spreading the message in the rural areas, the objective of the present Bill can be very well achieved.

SHRI J. MATTHAN: Yes, but unless we have a very strong safeguard that the Central Office will not be using powers, this will not work. You may pass on powers theoretically. Those powers were passed on to the zones earlier but these powers given to the zonal Managers were not exercised. So, in actual practice it is not effective.

SHRI SATISH AGARWAL: So that thing can be repeated here also despite the fact that there is a provision in the Bill.

SHRI J. MATTHAN: Now you are having five independent Corporations. Therefore, the question of referring it to someone in Bombay does not arise.

श्री रामलाल राही : आप काफी लम्बे समय तक लाईफ इन्श्योरेंस कॉर्पोरेशन के चेयरमैन रहे हैं तथा इसने कार्य-कलाप से सम्बद्ध रहे हैं शायद आप जानते होंगे कि इस देश में 55 56 जिले ऐसे हैं जिनमें एल० आई० सी० को कोई ब्रांच अब तक नहीं खुली है मेरी जानकारी के अनुसार हर जिला हैडक्वार्टर पर ब्रांच खोलने की पावर्स चेयरमैन को होती है आपके समय में ऐसा कुछ मूव चला था या नहीं कि एल आई सी को ब्रांच हर जिला हैडक्वार्टर पर खोली जाए या ग्रामोण इलाको तक इसका विस्तार हो किन कारण-वश हर जिला हैडक्वार्टर पर अब तक ब्रांचें नहीं खोली जा सकीं

SHRI J. MATTHAN: The Life Insurance Corporation has two functions to conduct its affairs on business principles and also in the interests of the Community at large. They have

been enshrined in the LIC Act itself. Now, in regard to the opening a large number of offices in inaccessible areas if you look at the 55 districts where the LIC has no branch they are really in remote areas. It is true the people require life insurance but it is a very expensive proposition to set up a branch. So, on a purely business proposition the LIC was not attracted to those areas. The LIC over the years has been gradually improving the spread. It is true that we do not have offices in 65 districts and it does not speak well of it, but I suppose too much caution in these matters was exercised. They went with the idea that the opening up of offices in the uneconomic areas has to be linked up with the profitability in the LIC.

श्री रामलाल राही : इस कमेटी के सामने जो बिल विचार के लिए प्रस्तुत है, आपने कहा है कि यदि यह पास हो जाता है और एल आई सी को पांच भागों में विभक्त कर दिया जाता है तो उससे बहुत कम लाभ होने की सम्भावना है। आपके इस तर्क के पीछे क्या यह भावना है कि एल आई सी की ज्यादा ब्रान्चेज खोलने से खर्चा अधिक बढ़ जाएगा और इसलिए लाभ कम होगा। चूंकि आप एल आई सी के चेयरमैन काफी समय तक रहे हैं, आपको इसका अच्छा अनुभव है, क्या नई ब्रान्चेज खोलते समय व्यावसायिक दृष्टिकोण को सामने रखा जाता है या उसका आधार क्या है।

SHRI J. MATTHAN: Splitting *per se* does not increase expenditure. Expenditure will increase if you start competing. If Bombay Corporation starts opening offices in Gauhati, Calcutta and other places, the cost will naturally go up. But mere splitting will not increase the cost. You may have a slightly bigger set up at 5 centres and to that extent the Bombay office will be reduced. So, by splitting in a non-competitive situation expenditure will not increase.

श्री राम लाल राहो : इस बिल क स्पष्ट उद्देश्य यह दिशा गया है कि हम एल ग्राई सी के काम को ग्रामीण क्षेत्रों तक ले जाना चाहते हैं, विस्तार करना चाहते हैं, लाभ पहुंचाना चाहते हैं। मान लीजिए कि यह बिल वापस हो जाए और सरकार इसके स्थान पर पुराने प्रचलित अधिनियम में ही कुछ संशोधन करके ऐसा प्रावधान कर दे कि एल ग्राई सी की ज़ान्चेज करल इलाकों में खोली जाएं और उनकी दृष्टि व्यावसायिक रहे आप के अनुसार वह लाभकर नहीं होगा तो फिर ग्रामीण इलाके तक कैसे विस्तार क्या जाए ?

SHRI SATISH AGARWAL: The hon. Member's question is this. The object of this Bill is to spread the message of insurance in the rural areas. So if this particular piece of legislation is withdrawn, then how can the message of insurance be taken to the rural areas? With that particular point in mind, if you say that it will be uneconomical to go to the rural areas and all that, how will it be achieved?

SHRI J. MATTHAN: Even if the Bill is there, how will the situation change? Merely by having five corporations competing with each other, how will we spread the message of life insurance? The question is one of economic viability whether it is one corporation or 5 corporations. Having decision-making in five centres may bring in some marginal improvement. We will have to tackle the problem of rural areas in a radical way whether in five different corporations or in one, by some sort of subsidies. That is a matter which will have to be examined.

श्री राम लाल राहो : मद्रास सभा, क्या आपका ऐसा विचार है कि साकार एल ग्राई सी को पांच भागों में विभक्त कर दे पर जो पैसा खर्च करने जा रही है, यदि वर्तमान अधिनियम में ही

संशोधन लाकर, ग्रामीण क्षेत्रों में एल ग्राई सी के विस्तार हेतु उस धन का उपयोग किया जाए तो क्या उससे अधिक लाभ होने की संभावना है। यदि हां, तो किस तरह एल ग्राई सी के काम को ग्रामीण क्षेत्रों में बेहतर तरीके से फैलाया जा सकता है। क्योंकि इस बिल का उद्देश्य ग्रामीण इलाकों तक विस्तार है।

SHRI SATISH AGARWAL: The question is: do you think that whatever money will be spent on the splitting of the LIC—if that is spent on the expansion of the LIC activities further, that will be more beneficial?

SHRI J. MATHAN: As I said, if you have a non-cooperative splitting then expenses will not go up. Splitting *per se* does not increase the expenditure. Some years ago the LIC made a suggestion that with regard to the valuation surplus, 5 per cent of which goes to the Government—which means a very substantial amount in itself. I do not know the exact figure—it is several crores of rupees.

SHRI SATISH AGARWAL: It is Rs. 38 crores.

SHRI J. MATTHAN: It will go up progressively. If a part, not the whole of it, is set aside for activities to build up our business in the rural areas by giving some sort of a subsidy, that will certainly improve the situation. In fact the LIC has suggested it. I do not know if anything has come out of it.

SHRI JANARDHANA POOJARY: The bulk of the policies in UK are investment-oriented. They are going in with that idea.

SHRI J. MATTHAN: As I said, I have been out of touch for the last 4 years. My own general impression is that people in the UK are going in more & more for what is called term insurance. But I am not able to say what the exact position is.

SHRI JANARDHANA POOJARY:
What about USA?

SHRI J. MATTHAN: As I mentioned earlier that a large number of people are going in for term insurance in preference to endowment insurance, but I do not know what is the percentage?

SHRI JANARDHANA POOJARY:
Not life insurance??

SHRI J. MATTHAN: That is gradually becoming less popular. I do not say that no one is taking life insurance. But in spite of good bonuses and other attractive features UK & American companies are giving, the general tendency is to go in for term insurance. If you just open the magazine *London Economist*, you will see there a lot of emphasis on term insurance coverage because in days of inflation, in regard to conventional life insurance, when you pay your premium for say 15 years, what is the value of that life insurance coverage at the end of the period? It has depreciated. In western countries where inflation just as in our country is a very big problem, more and more people are going in for term insurance. There is no investment element. It is only a protection against death.

SHRI JANARDHANA POOJARY:
Here you have stated in your earlier statement, that if you have 5 people doing business in the same area, there will be competition. What is there in the Bill which makes you to got that idea? As per the provisions of the Bill these autonomous corporations are concentrating its business in the rural areas and permission of Central Government will be required for one corporation to open its branch in another region and if it is one autonomous corporation doing business in the rural areas, I do not think you will have any objection for it?

SHRI J. MATTHAN: As I said, if it is a non-competitive arrangement, I would have no objection.

SHRI JANARDHANA POOJARY:
You have stated about Udupi region. I

do not know whether you have gone to Udupi. Before you go to Udupi you have to cross Mulki Block headquarters. There are no LIC offices and policy holders residing at a distance of 17 miles, 20 or 30 miles are not having any office. They have to go to a far-flung place, 80 to 100 miles, to reach the office. If the cost element is to be considered-it is not only profit-making, rendering service to the policyholder also should be taken into consideration, so don't you think that if these factors are also to be taken into consideration then more offices in block headquarters and taluk headquarters will give a better service?

SHRI J. MATTHAN: One has to have a sense of proportion. We may like to take life insurance to the doorstep. But opening an office is a very expensive thing. Indiscriminate opening of offices will put up costs and bring down bonuses to policy-holders.

SHRI JANARDHANA POOJARY:
You know the intention of the LIC is not to earn profit only; it has certain social objectives. The social objective of this legislation is to cover more people particularly people residing in rural areas. You know so far we have been able to cover only 244 lakhs people. That means about 244 lakhs policies have been purchased by the people. Now the objects are to cover more people and also to go to the weaker sections with different ideas and different incentives.

SHRI J. MATTHAN: Unfortunately, in life insurance one cannot go to the very poor people because some one has to pay the premium. It is not free cover, 50 per cent of our population are below the poverty-line. They would have to be covered by Government Social Security. Now, the question of taking different policies for the weaker sections also is there. They can also be covered by group term policies. LIC has made a lot of progress in that area. Salaried people are also covered.

SHRI JANARDHANA POOJARY:
They are not in a position to take the policy. They are poor people. There are also some Scheduled Castes and Scheduled

Tribe people. They are not in a position to pay the premia for the policies. If the Central Government is going to give them some benefit, and thereby if these offices are there in the rural areas do you not feel that it will be more helpful? Do you not feel that the surveys will be more helpful if they take into consideration the cost element also?

SHRI J. MATTHAN: There is no denying that if you have more offices there can be more business. But it is a matter of great expense to have offices in rural areas. For example, a good company like Oriental, in the old days had very few offices, perhaps just one or two in each State the LIC could not have an office in rural areas. Now two or three offices in each District. Previously policy holders had to go only long distances. If you say that in every small village there should be a branch of LIC it is just not possible.

SHRI JANARDHANA POOJARY: If the agents are posted in the rural areas the people of the rural areas can approach them, or the agents can reach them.

SHRI J. MATTHAN: Not so easily. Perhaps.

SHRI JANARDHANA POOJARY: That means that there are people who can be tapped and by opening more branches it can be done.

As in the agricultural sector, we can tap here also.

SHRI J. MATTHAN: How does the opening of five corporations help that?

SHRI JANARDHANA POOJARY: As you have stated, power was concentrated in the central office. Even LIC of India have not been able to open the offices during your regime also. As an ex-Chairman, and as you have stated that for the last 20 years it has been so, and even by opening offices or by making them accountable and also by continuous monitoring it can be done.

SHRI J. MATTHAN: If so, it can be done in the present situation also.

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SHRI JANARDHANA POOJARY: It is not being done. Even when You were the Chairman you were not able to do it.

SHRI J. MATTHAN: I have no comments to offer.

SHRI NAND KISHORE BHATT: When you were the Chairman, did you at any time think of introducing term insurance?

SHRI J. MATTHAN: We have restricted term insurance in the country. It must be remembered that there can be a lot of fraud in life insurance. People do not know it. If you make the settlement of death claims too easy there are people to take advantage. In the United States everyone has a medical history. There are medical cards. If a man is diabetic, he cannot deny it in a life insurance proposal. In the United Kingdom you have the National Health Service. Everything is recorded. In India we do not have any such system. If some one comes and wants a policy he gets a medical report. There could be impersonation. The doctor may be induced to give a wrong certificate. To introduce term insurance with a small premium for a big cover it will be creating difficulties. Restricting the amount of cover may be one way of dealing with the situation. But term insurance for anyone in the country, say for more than Rs. 50,000 according to me will not be good.

MR. CHAIRMAN: Thank you very much.

(The witness then withdrew)

III. All India Scheduled Castes, Scheduled Tribes and NBO-Buddhists' L.I.C. Employees' Welfare Association, Madras

Spokesmen:

1. Shri P. Kadirvelu, All India Vice-President.
2. Shri S. Sundararaj, All India Joint Secretary.
3. Shri A. Thirumalaisamy, South Zone Organising Secretary.

(The witnesses were called in and they took their seats)

MR. CHAIRMAN: Before you start your evidence I would like to make it clear to you that your evidence shall be treated as public and is liable to be published unless you specifically desire that all or any part of the evidence given by you may be treated as confidential. Further, I may also explain it to you that even though you may desire your evidence to be treated as confidential such evidence may be made available to the Members of Parliament.

You know about the Life Insurance Corporations Bill, 1983.

SHRI SATISH AGARWAL: Before you put questions, I want to seek a clarification. I have got their memorandum here. It is dated 24-5-1984 at Madras. Was it submitted to you at Madras?

MR. CHAIRMAN: They met us at Madras after our meeting was over. I said that it was not possible to examine them then and I asked them to come to Hyderabad. They gave me a copy at Madras.

SHRI A. TIRUMALAI SAMY: We gave it on the 25th May at Madras.

SHRI SATISH AGARWAL: Has your association been recognised by the LIC management?

SHRI P. KADIRVELU: Yes.

MR. CHAIRMAN: We can hear their views.

SHRI SUNIL MAITRA: You gave a deadline that henceforth no memorandum will be given.

MR. CHAIRMAN: They have given the memorandum earlier. Do you want to say something more?

SHRI P. KADIRVELU: No, I only want to say that our constitutional rights are not protected. The trade unions are not supporting us. That is why, we have formed our welfare association. Government has already issued so many instructions but those have not been implemented by the LIC.

SHRI SATISH AGARWAL: But there is a watchdog committee within the LIC to take care of that.

SHRI P. KADIRVELU: Yes.

MR. CHAIRMAN: Thank you very much.

(The witnesses then withdrew)

The Committee then adjourned

RECORD OF EVIDENCE TENDERED BEFORE THE JOINT COMMITTEE ON THE LIFE
INSURANCE CORPORATIONS BILL, 1983

Wednesday, 13 June, 1984 from 1000 to 1315 hours in Committee Room, Andhra
Pradesh Legislative Assembly Building, Hyderabad.

PRESENT

Shri Mool Chand Daga—Chairman

MEMBERS

Lok Sabha

2. Shri Satish Agarwal
3. Shri Ghayoor Ali Khan
4. Shri Sunil Maitra
5. Shri Ram Pyare Panika
6. Shri Janardhana Poojary
7. Shri Ram Lal Rahi
8. Shri K. A. Rajan
9. Shri M. S. K. Sathiyendran

Rajya Sabha

10. Shri Lal K. Advani
11. Shri Vithalrao Madhavrao Jadhav
12. Shri Sudhakar Pandey
13. Shri Sukomal Sen

SECRETARIAT

Shri G. L. Bhatt—Senior Examiner of Questions.

REPRESENTATIVES OF THE MINISTRY OF FINANCE (DEPTT. OF ECONOMIC AFFAIRS)
(INSURANCE DIVISION)

1. Shri R. K. Mahajan—Controller of Insurance.
2. Shri S. G. Subrahmanyam—Managing Director, LIC.
3. Shri S. V. Narayanan—Zonal Manager, LIC, Madras.

WITNESSES EXAMINED

I. Visakhapatnam Insurance Institute C/o Jeevan Prakash, LIC of India,
Divisional Office, P.B. No. 411, Visakhapatnam-530004.

Spokesman:

Shri V. S. Prakasa Rao,
Honorary Secretary.

II. Insurance Corporation Employees' Congress, 8-3-404/4, Yellareddiquilla,
Hyderabad-500073

Spokesmen:

1. Shri K. V. Appa Rao,
Working Committee Member.
2. Shri Subba Rao,
General Secretary.

1. Visakhapatnam Insurance Institute,
C/o Jeevan Prakash, LIC of India,
Divisional Office, P.B. No. 411,
Visakhapatnam-530004.

Spokesman:

Shri V. S. Prakasa Rao, Honorary Secretary.

(The witness was called in and he took his seat)

MR. CHAIRMAN: Before you start your evidence, I would like to make it clear to you that your evidence shall be treated as public and is liable to be published, unless you specifically desire that all or any part of the evidence given by you is to be treated as confidential. Further, I may also explain it to you, even though you might desire your evidence to be treated as confidential, such evidence is liable to be made available to the Members of Parliament.

MR. Rao, I have gone through your Memorandum very carefully. You have taken great pains in preparing it. You are opposing this Bill. Now, I would like to put certain questions to you. You know the objectives of the Life Insurance Corporation. When the LIC was nationalised in 1956, you welcomed the nationalisation. I think you also know the objectives we had in view at the time of its nationalisation.

SHRI V. S. PRAKASA RAO: Yes, I know. I have got a copy of the objectives, which were before us at the time of nationalisation.

MR. CHAIRMAN: So, I would like to know whether we have achieved these objectives by now or not? In your memorandum in the first line you have mentioned that the performance of the LIC by all standards is significant. I want to know whether uptill now we have been able to achieve the objectives which were laid down in the year 1956 or not?

SHRI V. S. PRAKASA RAO: We have achieved the objectives to the best possible manner because there are constraints in achieving the objectives.

SHRI VITHALRAO MADHAVRAO JADHAV: What do you mean by 'to the best possible manner'?

MR. CHAIRMAN: You have said that it is a significant achievement you have done. I put one or two questions. What is the number of policy-holders to-day?

SHRI V. S. PRAKASA RAO: The number of policy-holders is 2.5 crores.

MR. CHAIRMAN: It is the policies number. I am talking of the number of persons insured. There is a difference between the number of policies and the number of persons insured. It is not more than even 150 lakhs.

SHRI V. S. PRAKASA RAO: I do not have the number.

MR. CHAIRMAN: If you look at the total population of the country which is 66 crores, the number of persons insured is 150 lakhs. Are you satisfied with such an achievement? Can you give me the number of the rural people who have been covered by this insurance business?

SHRI V. S. PRAKASA RAO: I do not have the number.

MR. CHAIRMAN: What is the number of maturity claims which are pending before the LIC to-day?

SHRI V. S. PRAKASA RAO: The outstanding claims ratio is 13 per cent.

MR. CHAIRMAN: Can you give me that number? I am just asking you about the maturity claims. I say it is 1,16,838. Do you agree with this figure or not? Because the latest report gives that figure. The amount involved is Rs. 35,66,68,000. That is the position so far as the maturity claims are concerned. What about the death claims? What is the number which is pending? It is about 28,237 and the amount involved is Rs. 29 crores odd or roughly Rs. 30 crores.

Can you give me the amount—the unadjusted amount? Till to-day the amount sent by the policy-holders but which has not been adjusted in their accounts—can you give me that figure?

SHRI V. S. PRAKASA RAO: I do not have exact quantum with me.

MR. CHAIRMAN: It is more than Rs. 65 crores.

You have said in your memorandum that Dr. Deshmukh has opposed it. You have not mentioned one thing. Deshmukh has also said this:

"In any case we feel that, to start with, we should have only one autonomous corporation. If we find that it does not work satisfactorily, then it would be open to us to change over to a number of autonomous corporations."

Jawaharlal Nehru too has said this:

"Some members have said that it might be desirable in the future for this huge organisation to be split up into 3 or 4 units. It is a matter which may be considered. If that is more advantageous and should be done, we should not hesitate to do it."

Is this correct? These are the statements of Jawaharlal Nehru and Deshmukh.

SHRI V. S. PRAKASA RAO: These are part of the statements.

MR. CHAIRMAN: You have given one part. You say that they were opposed to that idea and I say they were not opposed.

I put one question—whether the objectives have been achieved or not? I pointed out certain figures to show that we have not.

SHRI V. S. PRAKASA RAO: The figures are correct.

MR. CHAIRMAN: Now will you kindly tell me why the Era Sezhiyan Committee was appointed. Do you know for what purpose it was appointed?

SHRI V. S. PRAKASA RAO: To study the working and performance of the LIC.

MR. CHAIRMAN: Because the performance was not satisfactory. Is it correct? Why was it appointed? You must have gone through because you are an intelligent person. You have given me a long memorandum. It is your own preparation.

Both in Parliament and outside, demands have been made for more economic man-

agement. That is one thing. Better return, and improvement in the service to the policy-holders and re-orientation of the investment policy. These were the objectives for which this committee was appointed. ... Have you appeared before that committee? Have you given your memorandum?

SHRI V. S. PRAKASA RAO: Our Institute did not submit but most of the other institutes submitted.

MR. CHAIRMAN: Do you agree with the findings of this committee?

SHRI V. S. PRAKASA RAO: I agree with some of the findings.

MR. CHAIRMAN: What are the findings with which you agree?

SHRI V. S. PRAKASA RAO: Chapter 22—The committee has pointed out that one of the factors for non-spread of LIC is the inability of the LIC to offer security to the economically weaker sections. I agree with this observation. The organisation of LIC as such and the structural pattern of LIC as such has nothing to do with these findings and there can be some constraints and the LIC could not expand to the nook and corner of the country because the ultimate authority in the management of the LIC business being the Government of India and they did not take that lead in LIC spread as they took in banking and other financial institutions.

In LIC affairs, they did not bring in that much of dynamism. No doubt Government has evinced interest and pointed out a number of committees to review the situation but they never followed the recommendations. My submission originally at the time of nationalisation was for a decentralised set up. The zonal officers, they are to function as executives of the LIC, but unfortunately the zonal offices were allowed to function with executive authority.

MR. CHAIRMAN: How do you know that they were allowed to function?

SHRI V. S. PRAKASA RAO: Because, the powers were not given..

MR. CHAIRMAN: Whether the powers were given or not the directions were given to them. Why were they not allowed to function?

SHRI V. S. PRAKASA RAO: For that matter, the Era Sezhiyan Committee stated on page 124, while dealing with the organisational structure, "While the LIC Act had visualised autonomous changes at the policy level, for functions vested in the central office, in actual practice there has always been a tendency to specialise."

MR. CHAIRMAN: The Committee has given a suggestion on this very finding. There they have suggested the splitting up into five corporations. If you split it into five corporations, they will be able to serve the villages better, they can get in touch with the policy holders better. Why do you oppose?

SHRI V. S. PRAKASA RAO: This can be done without splitting also.

MR. CHAIRMAN: The existing set up has not achieved the objectives.

SHRI V. S. PRAKASA RAO: After all the organisation is only a tool. Who uses it and how it is used is another matter. The organisational set up did not prevent LIC from opening branches in the rural areas.

MR. CHAIRMAN: I am asking a question. You have given a four page memorandum. You have referred to the Era Sezhiyan Committee Report also. Do you know that he was an employee of LIC?

SHRI V. S. PRAKASA RAO: I knew it.

MR. CHAIRMAN: This report was placed on the floor of the House in 1980. We are now in 1984. Have you gone through that report?

SHRI V. S. PRAKASA RAO: Yes.

MR. CHAIRMAN: Have you expressed any opinion, or have you written any article on it?

SHRI V. S. PRAKASA RAO: No.

MR. CHAIRMAN: You say that there is a need for a system design.

SHRI V. S. PRAKASA RAO: It is the latest trend in the organisational set up.

MR. CHAIRMAN: You will prefer centralisation, I think. Is it not decentralisation if there are five corporations?

SHRI V. S. PRAKASA RAO: No.

MR. CHAIRMAN: You mentioned service matters tribunals. Do you oppose them?

SHRI V. S. PRAKASA RAO: What for? What is the objective of having these service matters tribunals?

MR. CHAIRMAN: Do you agree that the Era Sezhiyan Committee felt so?

SHRI V. S. PRAKASA RAO: May be. But it could cost a lot of money to the Corporation.

MR. CHAIRMAN: Who will bear the cost?

SHRI V. S. PRAKASA RAO: The LIC should do it.

MR. CHAIRMAN: When this Act was passed in 1981, do you know why was it passed?

SHRI V. S. PRAKASA RAO: The objectives were good. To improve the functioning of the LIC, and to expand it. It is only a hope. I can even quote the objectives. In the interest of improving the operational efficiency, in order to strengthen the industry's ability to meet the challenges of the future it was done. But this split spread insurance to rural areas, improve the working, and will serve the policy-holders better.

MR. CHAIRMAN: I am talking of 1981 Act. Why was this Bill passed? It was passed to control the cost of administration. Have you gone through this Act?

SHRI V. S. PRAKASA RAO:
Yes.

MR. CHAIRMAN: Do you agree with this Act?

SHRI V. S. PRAKASA RAO:
No. As it is the Corporation has achieved better results.

MR. CHAIRMAN: When the Act was passed by Parliament and it was challenged in the Supreme Court and the Supreme Court upheld that Act, it has become the law of the land. Why do you oppose the Service Matters Tribunal? Is it not an easy way of getting the grievances redressed?

SHRI V. S. PRAKASA RAO:
It is not clear where the tribunals will be situated. And if the rules are violated only then I can go to the Service Matters Tribunal.

MR. CHAIRMAN: Who will frame the rules?

SHRI V. S. PRAKASA RAO:
LIC and the Government.

MR. CHAIRMAN: The rules will be framed by the Parliament. Parliament will delegate the powers to the bureaucracy.

SHRI V. S. PRAKASA RAO:
The Corporation will frame the rules.

MR. CHAIRMAN: If rules and regulations, bye-laws or notifications are statutory ones, then the Parliament give the power to the executive authority to frame the rules within the framework of the Act. If the rules are framed outside the scope of the Act, then the Members are free to raise objections.

SHRI V. S. PRAKASA RAO:
Then why was one committee over so many other committees appointed to study this task?

MR. CHAIRMAN: The Era Sezhiyan Committee had gone into all the suggestions of other committees.

श्री राम लाल राही : आपने इस बिल को प्रपोज किया है, आप इसके

उद्देश्यों तथा कारणों से सहमत नहीं। इसका मतलब हुआ कि आप पुराने एक्ट को ही सफ़ीशयेट मानते हैं और समझते हैं कि यदि इसमें ही कुल प्रावधान कर दिए जाएं तो लाभ उठाया जा सकता है। मैं आपसे स्पष्ट करवाना चाहता हूँ कि जैसा हम लोग देख रहे हैं, एल आई सी का काम ग्रामीण इलाकों की अपेक्षा शहरी क्षेत्रों में अधिक रहा है और इस बिल को लाने में पीछे मुख्य उद्देश्यों यही हैं कि एल आई सी का विस्तार ग्रामीण इलाकों तक होना चाहिए। आप शायद इस तथ्य से भी अवगत होंगे कि देश भर में लगभग 55 जिला हेडक्वार्टर्स ऐसे हैं जहां एल आई सी की कोई ब्रांच अभी तक नहीं खुल पाई है। क्या आप बता सकते हैं कि इसके लिए एल आई सी के वरिष्ठ अधिकारी जिम्मेदार हैं या सरकार जिम्मेदार है जिस की वजह से रूरल इलाकों में ब्रांचेज नहीं खोली जा सकी।

SHRI V. S. PRAKASA RAO:
In fact, the Finance Minister, Mr. C. Subramaniam, took the responsibility of opening more offices in the rural areas. It was somewhere in 1969. But the Government never took the initiative in directing the management to go towards that end. The LIC, though described as an autonomous body, is strictly under the control of the Finance Ministry. Therefore, the Finance Ministry never allowed the Corporation to expand the branches, because they bring in the cost aspect. They wanted the branches to function on cost basis i.e. the revenue-expenditure ratio should not go beyond 50 per cent. On the contrary in the Banks they did not bother about the profitability of the bank in the initial three years. Morarka Committee observed the Development Officers are redundant in LIC, so much so, if we observe since 1974, the number of Development Officers was reduced from 8,700 to 6,000 by 1980. The result was that the

posts remained vacant till 1981 when the Management took the decision to recruit Development Officers and fill up the vacancies. They started the scheme of Rural Development Officers in 1980. So, apart from opening the branches there was a ban on the recruitment of Development Officers, who are the real procedures of business in the rural areas. Their real objective is to spread the business and to render the service at the door-steps of the policy-holders. To this point the Government did not pay any attention.

MR. CHAIRMAN: Mr. C. Subramaniam said this, did you raise your voice or put up a memorandum to the Government that you want to penetrate in the villages.

SHRI V. S. PRAKASA RAO: No.

श्री राम लाल राही : क्या आप इस बिल का विरोध ऐसा मानकर कर रहे हैं कि जब यह पांच भागों में विभक्त हो जाएगा तो हर एक भाग में स्टाफ बढ़ेगा और दूसरा खर्चा भी बढ़ जाएगा और उसी अनुपात में लाभ कम हो जाएगा ।

SHRI V. S. PRAKASA RAO: It is not my opinion. It is the opinion of the Morarka Committee. I agree with this opinion that it will add to the expenditure.

श्री राम लाल राही : क्या आपका विचार ऐसा है कि इस बिल के पास हो जाने पर जब यह पांच भागों में विभक्त हो जाएगा तो इस कार्य के लिए जितना गवर्नमेंट को व्यय करना होगा, यदि उस पैसे का उपयोग विभाजन पर न करके, वर्तमान अधिनियम में संशोधन ला कर इसके विकेन्द्रीकरण पर खर्च किया जाए तो ज्यादा लाभ होगा ?

SHRI V. S. PRAKASA RAO: As it is, I do not have any idea about the extent of expenditure that will be involved in the splitting of the Corporation.

SHRI VITHALRAO MADHAVRAO: Just now you have answered that you are opposing this Bill totally. Please tell me what is the percentage of business of LIC in urban areas and what is the percentage in the rural areas? You know after the nationalization, the LIC has failed to mobilise the rural business. Considering this, there is no other go than to accept this Bill, as far as the requirements of the rural economy are concerned. So, what do you suggest.

My second question is: who is important in the LIC—its employees or the policy-holders. I feel this Bill has come from the point of view of policy holders because two per cent of the Indian population have been covered by the LIC out of the 70 crores. So, something must be done. I feel nothing better than its split can be done. What is your opinion?

SHRI V. S. PRAKASH RAO: Out of the total business of life insurance, 32 per cent relate to the rural areas. When 80 per cent of the population live in the rural areas, how is it that the LIC is able to procure only 30 percent? In that context we have to take into consideration what is the exact rural market? What is the purchasing capacity of the rural people and what is their capacity to expand and how they prefer the life insurance savings and what is their preference for savings—these are the points we have to consider. It is not that by a mere slogan that the LIC should go rural.

MR. CHAIRMAN: But you have not been able to achieve the objects.

SHRI V. S. PRAKASA RAO: That is because of the constraints. It is not due to the organisation.

MR. CHAIRMAN: So the hon. Members says that this Bill achieves that objective. Do you agree with this or not?

SHRI V. S. PRAKASA RAO: How do you say that five corporations will procure more rural business when there is no purchasing capacity? The other day I have gone through the Indian Express. There Mr. Kamath has stated that 90 per cent of the rural population have a purchasing capacity of Rs. 1200 per annum. This is the position.

SHRI RAM PYARE PANIKA: What is the main cause for not going to the rural areas?

SHRI V. S. PRAKASA RAO: That is one factor. For everything there cannot be one parrot like answer.

SHRI VITHALRAO MADHAVRAO JADHAV: Who is important in LIC? The people or the policy-holders.

SHRI V. S. PRAKASA RAO: The policy-holder is our master.

SHRI VITHALRAO MADHAVRAO JADHAV: Then you are opposing this Bill?

SHRI V. S. PRAKASA RAO: In what way this split would help the policy-holders?

MR. CHAIRMAN: You answer the specific question he has put. You say 'Yes' or 'No'.

SHRI SUNIL MAITRA: He has already answered.

SHRI V. S. PRAKASA RAO: Pardon me, Sir. If you want 'Yes' or 'No' answer, then everything cannot be explained. But much explanation is needed because it is a complex problem. Where there are different cases, we have to understand them and come to a correct solution. It has got so many complexities.

Policy-holder is the master and the LIC has done a good work. No doubt there is scope for improvement but the obstacles are administrative in nature and we have to find administrative solutions and not organisational solutions and this split will not help it in any way.

SHRI SUNIL MAITRA: Quite a number of committees were appointed by the Government to go into the functioning of the LIC. You have said Morarka Com-

mittee. Tenneti Viswanathan Committee. Then the PAC and the EC also have examined it and given recommendations at different times. All these committees had experts. The Morarka Committee also had experts. Tenneti Viswanathan Committee also had experts. So what makes you think that the experts of Era Sezhiyan Committee were more experts than the experts the Morarka Committee or Tenneti Viswanathan Committee had?

MR. CHAIRMAN: How can you say that he does not know this?

SHRI SUNIL MAITRA: Do you consider that the experts in the Era Sezhiyan Committee were more experts than the experts of other committees?

SHRI V. S. PRAKASA RAO: I would like to put the same question.

SHRI SUNIL MAITRA: You answer briefly 'Yes' or 'No'. Can you accept the findings of the Era Sezhiyan Committee as final and a gospel truth?

SHRI V. S. PRAKASA RAO: No.

SHRI SUNIL MAITRA: There was a question that the Era Sezhiyan Committee has made certain recommendations after taking into consideration the recommendations of the earlier committees. So it is pleaded that the Era Sezhiyan Committee's recommendations are to be accepted as gospel truth. Do you accept it as gospel truth?

SHRI V. S. PRAKASA RAO: I do not accept it.

SHRI SUNIL MAITRA: Similarly, with respect to the working of the LIC, it is said that almost 80 to 90 per cent of the maturity claims are not paid. It is because the LIC is not aware of the present address of the policyholders and the policyholders in very many cases do not care to intimate the LIC of their whereabouts. Are you aware of it?

SHRI V. S. PRAKASA RAO: I am aware of it.

SHRI SUNIL MAITRA: So far as death claims are concerned, in 90 per cent of the cases are you aware that the initial

statement given by the insured involve suppression of material facts which usually leads to wrong investigation and delay in settlement of claims?

SHRI V. S. PRAKASA RAO: Yes, Sir.

SHRI SUNIL MAITRA: Service matters tribunals. Now in the Bill it has been envisaged that there should be a President of the Service Matters tribunal and he should come from the judicial service. There is an enabling provision that two more officials can be appointed to the Service Matters Tribunals. Suppose I have a dispute and I take it to the LIC management and it turns it down. Then I go to the Service Matters Tribunal consisting of 3 persons—one President and two officials. These two officials may come from the LIC or from other Ministries appointed by the Government.

Now in very small matters even to-day are you aware that the LIC is to refer the matters to the Finance Ministry for sanction? Then the persons who are turning down your representation at the LIC level or at the Government level will be sitting as judges in the Service Matters Tribunals and the employees cannot expect justice from such a Tribunal.

SHRI V. S. PRAKASA RAO: They cannot.

MR. CHAIRMAN: Suppose instead of the officers, if you put retired judicial officers or judges, will you agree?

SHRI V. S. PRAKASA RAO: Entirely they should be judicial officers.

MR. CHAIRMAN: Then you agree.

SHRI V. S. PRAKASA RAO: Yes.

MR. CHAIRMAN: Thank you very much.

SHRI SUNIL MAITRA: In 1981 this Life Insurance Corporation Amending Bill was passed by the Parliament and it became an Act. Are you aware that at that point of time and till to-day the LIC cost of administration was an all time low?

SHRI V. S. PRAKASA RAO: That is coming down.

SHRI SUNIL MAITRA: Since the inception of the LIC, only last year the expense ratio has increased. Expense ratio would be mounting up if the renewal premium income reduces. What is the latest expense ratio of the LIC?

MR. CHAIRMAN: You are explaining so many things. He knows them. He can answer it yes or no. Whatever you want, put your questions.

SHRI SUNIL MAITRA: What is the latest expense ratio?

SHRI V. S. PRAKASA RAO: Eleven point and odd.

SHRI SUNIL MAITRA: That is in the 'sixties.'

SHRI V. S. PRAKASA RAO: Then it was higher; about 15 per cent.

SHRI SUNIL MAITRA: What is the statutory limit as defined in the Insurance Act?

SHRI V. S. PRAKASA RAO: It is 15 per cent.

SHRI SUNIL MAITRA: When did it come down below 15 per cent?

SHRI V. S. PRAKASA RAO: In March 1974 it was 14.99, in March 1973 it was 13.6 or so.

MR. CHAIRMAN: Why has it come down?

SHRI V. S. PRAKASA RAO: Because LIC's performance registered all round development.

SHRI SUNIL MAITRA: What was the total allowance given as overtime allowance?

SHRI V. S. PRAKASA RAO: Gone are the days. There is no OT in LIC.

SHRI SUNIL MAITRA: Are you aware that in the LIC of India Class III employees, 99 per cent of them do not earn any overtime payments?

SHRI V. S. PRAKASA RAO: Yes, there is no overtime allowance.

SHRI SUNIL MAITRA: Are you aware that the drivers are paid OT? Do you

know it? Why are they paid? Because the top brass of the LIC and Ministers they go on tours to different parts of the country and if the planes are late by two to three hours they have to wait in the Airport. Only for this purpose the drivers are paid overtime allowance.

SHRI VITHALRAO MADHAVRAO JADHAV: What is the relevance here?

MR. CHAIRMAN: In order to curtail the administrative expenditure, this policy decision was taken. Now I put a question, whether the LIC employees used to get overtime allowances or not. I have always asked them this question.

SHRI SUNIL MAITRA: Because the overtime allowance is paid only to drivers to assist the Ministers, officers and others. It is mainly paid only to the drivers because of the tours of the Ministers, LIC officials etc. Now, are you aware that in the statement of objects and reasons given in the present Bill it is the Government who says that since the nationalisation the LIC has a fairly impressive record of extending insurance cover to the community? Are you aware of it? Can it be said, that the LIC's performance was dismal?

SHRI V. S. PRAKASA RAO: Yes.

SHRI SUKOMAL SEN: I would like to know something about the LIC's business in urban areas. In the urban areas it is the organised section, which section of the urban population which is mostly motivated towards life insurance.

SHRI V. S. PRAKASA RAO: In the higher income rates, to save on tax and for house building they take insurance. In the salaried class because they do not have to pay the amount direct to the counter they also prefer insurance. The salaried class, that is the middle class or higher income tax groups they also prefer it.

SHRI SUKOMAL SEN: The higher income groups who can plan their family and their finances they can have it. In the rural areas how do the people get motivated for life insurance.

SHRI V. S. PRAKASA RAO: In the rural areas also the salaried class and the higher income groups are there. The LIC did try with the changed policy and collec-

tively also in the rural areas. But they could not succeed. That is why I said that the Central Government should give proper directions and they are not sponsoring group insurance for the weaker sections.

SHRI SUKOMAL SEN: 70 per cent of our population is in rural areas and more than half of the population is poor peasantry. They do not have the money. But even among the rich peasantry and middle peasantry what is the trend? Do they go in for insurance?

SHRI V. S. PRAKASA RAO: They go in for physical assets like jewellery and some other consumer goods.

SHRI SUKOMAL SEN: For expanding the rural business this tradition has to be changed. And motivation for the change is very necessary before expanding the rural business? Am I correct?

SHRI V. S. PRAKASA RAO: Yes.

SHRI SUKOMAL SEN: Instead of this monolithic structure coming in the way of expanding rural business, do you not think that there are other factors and those factors have to be removed for expanding the rural business?

SHRI V. S. PRAKASA RAO: Yes.

SHRI SATISH AGARWAL: Have you submitted this memorandum on behalf of the Institute?

SHRI V. S. PRAKASA RAO: Yes.

SHRI SATISH AGARWAL: When was this Institute established?

SHRI V. S. PRAKASA RAO: 25 years back.

SHRI SATISH AGARWAL: Have you got such institutions in the rest of the country? If so, have you got one federation in Bombay?

SHRI V. S. PRAKASA RAO: Yes.

SHRI SATISH AGARWAL: Is it a fact that the employees of the GIC are members of this Institute?

SHRI V. S. PRAKASA RAO: Yes..

SHRI SATISH AGARWAL: What are the functions of this Institute?

SHRI V. S. PRAKASA RAO: The main objective of the Institute is to encourage Members to study the problem of insurance industry and related matters.

SHRI SATISH AGARWAL: This Institute is not established just by certain employees, but this has got the blessings of the LIC management. And your Federation give you funds. And because of its educative aspect this Institute has got the backing of the LIC management and the approval of the Government.

SHRI V. S. PRAKASA RAO: To some extent. But recently they have stopped this encouragement.

SHRI SATISH AGARWAL: Since when?

SHRI V. S. PRAKASA RAO: 1980.

SHRI SATISH AGARWAL: Do you carry out certain studies in this Institute regarding problems faced by the LIC?

SHRI V. S. PRAKASA RAO: In the last three years the Federation wanted a paper on decentralisation of functions at branch offices and they also asked to submit a paper on the objective of LIC and their performances. Similarly, another year we were asked also to submit a paper on the performance budget in LIC.

SHRI SATISH AGARWAL: Are those publications with you or can you make available those publications to the committee?

SHRI V. S. PRAKASA RAO: Yes.

SHRI SATISH AGARWAL: In the previous years you have brought out certain publications and your Federation in Bombay has asked you to do certain study in regard to the LIC. Can you make available to the Committee those relevant papers?

SHRI V. S. PRAKASA RAO: Yes.

MR. CHAIRMAN: How many publications have been published by you- Institute and which is the latest publication?

SHRI V. S. PRAKASA RAO: Last year we submitted a paper. In 1981 we brought out another paper.

SHRI SATISH AGARWAL: Are you aware that in the last few years there has been a rapid expansion of business in the Southern Zone comprising of Tamil Nadu, Karnataka, Kerala and Andhra Pradesh? The Hyderabad Division has surpassed all other divisions in the expansion of business, particularly in the rural areas. If this expansion is possible under the existing law, do you think that the same could be achieved in respect of other divisions also, provided a thrust is given for expanding the insurance business in the rural areas by the LIC Management as well as by the Government?

SHRI V. S. PRAKASA RAO: Certainly, it will help.

SHRI SATISH AGARWAL: So, there is no other organisational or structural impediment for its spread in the rural areas in the present set up provided a thrust is given.

SHRI V. S. PRAKASA RAO: You are correct, Sir.

SHRI VITHALRAO MADHAVRAO JADAV: Since your area has registered a very rapid growth in the business in the rural areas, I would like to know how much business from the rural areas in your zone has been covered.

SHRI V. S. PRAKASA RAO: I don't have the statistics.

SHRI VITHALRAO MADHAVRAO JADAV: You can communicate the figures later on, if you are able to get.

SHRI JANARDHANA POOJARY: Are you a Member of the All India Insurance Employees Association affiliated to the CPI(M)?

SHRI SUNIL MAITRA: I object to putting this question. The All India Insurance Employees Association has nothing to do with any political party.

MR. CHAIRMAN: Let him know. It is a simple question whether he is affiliated to an association or not.

SHRI SUNIL MAITRA: He cannot put this question. It is related to my party.

SHRI JANARDHANA POOJARY: O. K. I would like to know whether he is a Member of the INTUC affiliated to the CPI(M).

SHRI V. S. PRAKASA RAO: I am here a witness of the Association.

SHRI JANARDHANA POOJARY: You can say yes or no. Whether you are a Member of the All India Insurance Employees Association.

SHRI V. S. PRAKASA RAO: I am a member of the All India Insurance Employees Association.

SHRI JANARDHANA POOJARY: Now tell me if it is affiliated to the CPI(M)?

SHRI V. S. PRAKASA RAO: There is no organisation affiliated to CPI(M). But I object to this question because I am here as a witness of the All India Insurance Employees Association and what is the necessity of finding out my personal bearing?

MR. CHAIRMAN: Are you not proud of being a Member?

SHRI V. S. PRAKASA RAO: I may be proud, but it is not a relevant question. The issue is split up of the LIC organisation. I am here to speak on the subject. Whatever questions are put on this subject, I will answer.

SHRI JANARDHANA POOJARY: What is your designation.

SHRI V. S. PRAKASA RAO: I am an Assistant in the LIC.

SHRI JANARDHANA POOJARY: For how many years are you working in this organisation?

SHRI V. S. PRAKASA RAO: I joined here in 1962.

SHRI JANARDHANA POOJARY: During your term of service at how many places have you worked?

SHRI V. S. PRAKASA RAO: I worked at four places at Narasaraopet Branch.

SHRI JANARDHANA POOJARY: In which district is it?

SHRI V. S. PRAKASA RAO: What is the idea of asking such questions?

SHRI JANARDHANA POOJARY: There is no question of any idea, please answer the questions.

SHRI V. S. PRAKASA RAO: It is in Guntoor district. It is a taluk headquarter. Then at Machilipatnam. It is a district headquarter. I worked there for fourteen years. Then I worked in Kakinada. It is also a district headquarter. I worked there for one year. Now I am in Visakhapatnam for the last seven years.

SHRI JANARDHANA POOJARY: You have stated that the expense ratio has come down. Now, I would like to know what are the changes that have been made in the scales of DA payable to Class III and Class IV employees of the LIC in the year 1981?

SHRI V. S. PRAKASA RAO: In the inflationary trend we lost track of it.

SHRI JANARDHANA POOJARY: I asked only about the changes.

SHRI V. S. PRAKASA RAO: I do not quite remember. I reached the maximum and I ceased to receive any DA enhancement.

SHRI JANARDHANA POOJARY: So you don't know the changes that were brought in the year 1981.

SHRI V. S. PRAKASA RAO: I do not quite remember.

SHRI JANARDHANA POOJARY: About the bonus do you know that there were changes brought in and a ceiling was put. Do you know in the year 1982 because of the reduction in the DA and even in the bonus the expense ratio has come down?

SHRI V. S. PRAKASA RAO: It is not that exactly.

SHRI JANARDHANA POOJARY: That is one of the factors.

SHRI V. S. PRAKASA RAO: May be, but that is not the single factor.

SHRI JANARDHANA POOJARY: Another thing I tell you. I myself went to one of the LIC offices. The total number of employees of that office was 308. But even by 10.45 a.m. the number of employees present was only 108. If that is the case, how will it affect the output?

SHRI V. S. PRAKASA RAO: Is it related to the number of people remaining in the seats?

SHRI JANARDHANA POOJARY: If the people are not to reach office and start work even by 10.45 a. m.

SHRI V. S. PRAKASA RAO: I don't think.

SHRI JANARDHANA POOJARY: If the working hours are 7 or 6 hours and if the output is not coming for 3 hours daily, will it not affect the efficiency?

SHRI V. S. PRAKASA RAO: You are stating that you observed somewhere. I do not know where. I come by 9.45 a.m.

SHRI JANARDHANA POOJARY: I am putting a general question. If the output is not given even for 3 hours or 3 1/2 hours, is it not going to affect the cost?

MR. CHAIRMAN: Please try to understand one thing. You are supposed to answer this question. Say 'Yes' or 'No'. If you do not know, say 'No'. But you cannot refuse to answer. Otherwise it is tantamount to breach of privilege. It has been signed by you also. You please answer the question.

SHRI JANARDHANA POOJARY: The employees are expected to work for six hours a day and if the output given is only for 3 hours, is it not going to affect the cost of the organisation?

SHRI V. S. PRAKASA RAO: It will affect.

SHRI JANARDHANA POOJARY: One thing I am not able to understand. When Mr. Sukomol Sen asked if there

was the traditional thinking in the rural areas, you have said that they are going for assets and when our friend, Mr. Agarwal asked whether a thrust was given in Hyderabad area to the rural areas and if the business has gone to the rural areas, your answer indicated that it is possible under the present system. How are you going to reconcile the two answers?

SHRI V. S. PRAKASA RAO: Without the Development Officer or the agent to canvas business, it is not possible to change the outlook and approach of the customer.

SHRI JANARDHANA POOJARY: So it depends upon the person who is working in the rural areas. In one place if there is the necessary dedication to work and he can convince the people, the present constraint and particularly, the traditional outlook will be changed if the proper personnel are put there. Am I correct?

SHRI V. S. PRAKASA RAO: Placement of proper personnel—that is correct.

SHRI JANARDHANA POOJARY: You have stated that there is no purchasing capacity of the people in the rural areas as they are poor and that 31 crores of people are below the poverty line. They cannot purchase a policy; so security cannot be given to them and they are untouchable.

SHRI V. S. PRAKASA RAO: I did not say that.

SHRI JANARDHANA POOJARY: You yourself said that 80 per cent of the people living in rural areas live below poverty line and you have not been able to touch them for the last 27 years. After nationalisation you have covered only 1.5 crores of people. There are people in the rural areas. You say there is the traditional thinking. I am just now giving endowment insurance for such people. An insurance policy for Rs. 2000 is given with an annual premium of only Rs. 80.

SHRI V. S. PRAKASA RAO: Premium depends upon the age.

SHRI JANARDHANA POOJARY: The average premium as per our Budget provision is Rs. 36.50. The first premium

is generally Rs. 45 per Rs. 1000. For Rs. 2000 it is Rs. 85 or 90. It is correct? I am confining to those people who are there. There are persons who are having some savings. If they are properly guided and if the security of the life is sold, resources can be mopped up there. Am I correct? It has happened in Hyderabad area. It is joint effort.

SHRI V. S. PRAKASA RAO: Then why we could not do that?

SHRI JANARDHANA POOJARY: According to you, the Government is only responsible. That should be tapped? Is it not? There are crores of people whose resources can be tapped by proper guidance and proper personnel.

With regard to my earlier question, personally I have nothing against CPI or CPM. Don't be under the impression that it is a crime to be a member of the CPM. What I am suggesting is that if everything is done properly, that can be tapped also. Is it not? With your experience of 25 years you will agree. Now you stated that the Government is responsible for not tapping. Have you come across any circular preventing the people from implementing the objectives which were given in the year 1974 or earlier?

SHRI V. S. PRAKASA RAO: I have not seen any such circular.

SHRI JANARDHANA POOJARY: There are statutory provisions giving powers to Divisional Officers to do independent business. The ex-Chairman has said this.

SHRI V. S. PRAKASA RAO: I do not know.

SHRI JANARDHANA POOJARY: Is it correct to say that the employees, and even the officers do not want to go to the rural areas? They are thinking of their children's education and everybody wants to be in the towns, and nobody wants to go to the rural areas. This is the result of it.

SHRI V. S. PRAKASA RAO: No.

SHRI JANARDHANA POOJARY: Another thing. So far as the splitting is concerned it is in the interests of the

employees, but only the union leaders do not agree with them. The employees are for it. Because they will get more promotions. The union leaders are opposing it.

SHRI V. S. PRAKASA RAO: Do you mean to say that the split will open opportunities for promotion?

SHRI JANARDHANA POOJARY: So many people have said it.

SHRI V. S. PRAKASA RAO: That is wrong. The split has got its own disadvantages.

SHRI JANARDHANA POOJARY: That is the complaint voiced inside and outside the Parliament. As the then Deputy Prime Minister, Shri Charan Singh when he referred to this matter in 1979, stated that this is a radical step, that a change should be there, and that there should be a change in the basic structure and then they appointed—it was not the Congress Government—the Era Sezhiyan Committee.

SHRI V. S. PRAKASA RAO: Government is Government. We do not go by the party.

SHRI JANARDHANA POOJARY: I agree. That Era Sezhiyan Committee after taking into consideration all aspects, they made a recommendation for splitting.

SHRI V. S. PRAKASA RAO: The Era Sezhiyan Committee did not say that so many people wanted the split. What I understand is that so many people wanted and they recommended it.

SHRI JANARDHANA POOJARY: They submitted a recommendation also.

SHRI V. S. PRAKASA RAO: The previous committees also recommended so many things.

SHRI JANARDHANA POOJARY: It is all right. This Committee also suggested.

MR. CHAIRMAN: What is the post on which you are working? What are your emoluments?

SHRI V. S. PRAKASA RAO: I am a higher Grade Assistant. My emoluments are Rs. 2,810/-.

MR. CHAIRMAN: Do you know what does a Central Government employee working on an equivalent grade get?

SHRI V. S. PRAKASA RAO: My basic pay is Rs. 750/-. I do not know about Central Government employees.

MR. CHAIRMAN: Shri Sunil Maitra asked you about claims. Do you deal with maturity claims or death claims?

SHRI V. S. PRAKASA RAO: I am dealing with so many claims.

MR. CHAIRMAN: During the last three or four days how many claims did you settle? Can you give the names?

SHRI V. S. PRAKASA RAO: I cannot give the names.

MR. CHAIRMAN: Yesterday how many claims did you dispose of? Can you give the names?

SHRI V. S. PRAKASA RAO: I am only a supervisory officer and I check the files.

MR. CHAIRMAN: How many did you dispose of yesterday or during the last two or three days?

SHRI V. S. PRAKASA RAO: About 30-35 cases. I do not remember the names.

MR. CHAIRMAN: Have you passed the orders after going through the files.

SHRI V. S. PRAKASA RAO: I do not pass orders. I see the claims and recommend the death, claims.

MR. CHAIRMAN: For each file how much time do you take?

SHRI V. S. PRAKASA RAO: We have to get the file and go through it. We need some 15 minutes minimum.

MR. CHAIRMAN: How many hours do you work in the office?

SHRI V. S. PRAKASA RAO: Six hours and 15 minutes.

MR. CHAIRMAN: How many files do you see in that time?

SHRI V. S. PRAKASA RAO: As per your mathematical calculation about 20 to 25 files.

MR. CHAIRMAN: Generally, is it correct that the union leaders are not transferred because the union work suffers?

SHRI V. S. PRAKASA RAO: Generally in LIC transfers are done at the personal level. I want to know what is the issue for consideration, or relevant to this Bill here.

MR. CHAIRMAN: I will be grateful if you can give me the details of the work done by you during the last one week or so. I will check it up from your office that a certain hon'ble witness who has deposed before us has mentioned this.

SHRI SUNIL MAITRA: I oppose this. This is nothing short of intimidating the witnesses. At this rate no employee will appear before us.

MR. CHAIRMAN: It is not intimidating. I have put a question about the work done by him.

SHRI SUKOMAL SEN: This is a parliamentary committee. We cannot ask such questions.

SHRI SUNIL MAITRA: This is not correct.

MR. CHAIRMAN: Please remember. He cannot refuse to answer any question.

SHRI SUNIL MAITRA: He has not refused. I am objecting.

MR. CHAIRMAN: I only wanted to know whether a person who is employed as an officer, how much work he has put in. That is the idea behind my questions. The hon'ble witness has come before me. I just asked him on what post he is working and what is the purpose. Because we want to note that the increase in the administrative expenditure, has not been curtailed.

SHRI SATISH AGARWAL: Mr. Chairman, if we have to discuss these things let the witness retire and then we can discuss it.

सजावलि महीनः : जेने ऐसा कब कहा है। हमारे पुजारी साहब ने कुछ जानकारी हासिल करने के लिए प्रश्न किए थे और उनका इंटेंशन साफ था। वे जानना चाहते थे कि आखिर एक कर्मचारी की परफार्मेंस क्या है और उस पर एडमिनिस्ट्रेटिव एक्सपर्टीजर कितना है और उसमें क्या बढ़ोतरी हो रही है।

श्री राम लाल राहो : आपने कहा कि आपकी यूनियन के अलावा भी इस रीजन में कई दूसरी यूनियन हैं। क्या वे भी आई एन टी यू सी से एफिलियेटेड हैं।

श्री बी० एस० प्रकाश राव : मेरे पास जानकारी नहीं है।

श्री राम लाल राहो : क्योंकि जिस रीजन में 1300 कर्मचारी हैं उस रीजन की एक यूनियन में 12 मैसेजर्स हैं क्या इस प्रकार की किसी दूसरी यूनियन की आपको जानकारी है।

श्री बी० एस० प्रकाश राव : ऐसी मुझे कोई नीतिज्ञ नहीं है।

SHRI RAM PYARE PANIKA: Do you know that the SCST employees association is there in your Institute?

SHRI V. S. PRAKASA RAO: I am not aware.

SHRI JANARDHANA POOJARY: In the rural areas so far as the weaker sections are concerned, under IRDP subsidy is given, under NREP the Government is spending about Rs. 400 crores and so far as Landless Employment Guarantee Scheme is concerned, Rs. 500 crores is given to the States. All these schemes will generate employment in rural areas. If infrastructure is built like this, will employment generation be there or not?

SHRI V. S. PRAKASA RAO: LIC is not a static organisation. It is a dynamic organisation. But my point is that split is not desirable.

SHRI SUNIL MAITRA: Is it a fact that during your work if one file takes 15 minutes, another file may take two hours?

SHRI V. S. PRAKASA RAO: Yes.

MR. CHAIRMAN: Kindly give the names of the files which you have handled in the last one week.

SHRI V. S. PRAKASA RAO: Is it a mandate?

MR. CHAIRMAN: I request you to give it. If you do not give it, I will find out from your officers. Thank you very much.

(The witness then withdrew)

II. Insurance Corporation Employees' Congress, 8-3-404/4, Yellareddiguda, Hyderabad—500 873 Spokesman:

Spokesmen:

1. Shri K. V. Appa Rao,
Working Committee Member.

2. Shri Subba Rao,
General Secretary.

(The witness were called in and they took their seats)

MR. CHAIRMAN: You please introduce yourselves.

(The witnesses introduced themselves)

MR. CHAIRMAN: Before you start your evidence I would like to make it clear to you that your evidence shall be treated as public and is liable to be published, unless you specifically desire that all or any part of the evidence given by you is to be treated as confidential. Further, I may also explain to you that even though you may desire your evidence to be treated as confidential such evidence is liable to be made available to the Members of Parliament.

Now, do you agree with the principles of this Bill?

SHRI K. V. APPA RAO: Yes.

MR. CHAIRMAN: Have you to say anything more than what you have said in your memorandum?

SHRI SUBBA RAO: We want to submit some statements in support of our

memoranda. We have covered all the points.

MR. CHAIRMAN: Do you want to say anything over and above the memoranda?

SHRI K. V. APPA RAO: We do not want to add anything. But we are prepared to answer if any questions are put.

MR. CHAIRMAN: This Insurance Corporation Employees' Union, is affiliated to some organisation.

SHRI SUBBA RAO: Yes, INTUC and the All India National Life Insurance Employees, Union, Delhi Federation.

MR. CHAIRMAN: You say that you agree in toto with the principles of this Bill? Was it prepared by the Committee or by the Union?

SHRI SUBBA RAO: By the Union.

श्री राम लाल राही : राव साहब आपने बताया कि आपके हैदराबाद, डिबीजन में पांच यूनियन हैं। क्या ये जान सकता हूँ कि आपकी यूनियन में कितने मेम्बर अब तक बन चुके हैं?

श्री के० बी० अप्पा राव : इस समय तक लगभग 50 मेम्बर बन चुके हैं।

श्री राम लाल राही : आपकी यूनियन की जो एक्जीक्यूटिव बनी है, उसमें कोई जनरल सेक्रेटरी भी है। क्या आप उनका नाम बता सकते हैं।

श्री के० बी० अप्पा राव : जी हाँ, हमारे यहाँ एक जनरल सेक्रेटरी भी है और उनका नाम मि० सुब्बा राव है।

श्री राम लाल राही : आपकी एक्जीक्यूटिव कितने लोगों की है?

श्री के० बी० अप्पा राव : हमारी एक्जीक्यूटिव में लगभग 7 मेम्बर हैं।

श्री राम लाल राही : क्या आपको इस बात का पता है कि एल आई सी के डेवलपमेंट के लिए पिछले सालों में कुछ पैसा खर्च किया जाता रहा है ताकि इसका काम ज्यादा से ज्यादा बढ़ाया जा सके। ये जानना चाहता हूँ कि क्या आपकी यूनियन ने पता लगाया कि वर्ष 1983-84 में एल० आई० सी० के विकास के लिए कुल कितना पैसा खर्च करने का प्रावधान था और कितना पैसा खर्च किया गया।

SHRI K. V. APPA RAO: They have spent on the OIC scheme and others, only to serve the policy holders.

श्री राम लाल राही : पिछले वर्ष एल० आई० सी० के डेवलपमेंट के लिए कितना पैसा खर्च किया गया, उसकी फीस आपके पास नहीं है। आपको उसके बारे में कुछ मालूम नहीं।

श्री के० बी० अप्पा राव : जी नहीं।

श्री राम लाल राही : हैदराबाद में आपकी यूनियन के अलावा चार यूनियनें और भी हैं, आपने स्वयं यह स्वीकार किया है। क्या आपको पता है कि ये चार यूनियनें कौन-कौन ही हैं और उनमें कुल कितने मेम्बर होंगे। क्या आपके पास उन सब की जानकारी है।

श्री के० बी० अप्पा राव : हमारे यहाँ इसके अलावा चार यूनियन और हैं और कुल मिला कर हैदराबाद में पांच यूनियन बजद में हैं।

Here we have got four unions and ICU is the majority union here and it is having a strength of about 1,000.

श्री राम लाल राही : आपके अनुसार इस डिबीजन में लगभग एक हजार लोग होंगे जिनमें से लगभग 50 आपकी

यूनियन से सम्बद्ध हैं। क्या आपको इस बात की जानकारी है कि सिर्फ आपकी ही यूनियन इस बिल को सपोर्ट कर रही है कि और बाकी कोई यूनियन यह नहीं चाहती कि एल.आई.सी. को पांच भागों में विभक्त किया जाए और इसीलिए वे इस का विरोध कर रही हैं। क्या आप जानते हैं।

श्री के. वी. अप्पा राव : जी हाँ।

श्री राम लाल राही : आपने यह भी कहा कि आप इस बिल को इसलिए सपोर्ट करते हैं क्योंकि आपके अनुसार यदि एल.आई.सी. को पांच भागों में विभक्त कर दिया जाए तो देश के ग्रामीण इलाकों तक आसानी से पहुँचा जा सकता है।

श्री के. वी. अप्पा राव : जी हाँ।

श्री राम लाल राही : जैसा कि आप जानते हैं इस बिल को लाने के पीछे यही मंशा है कि एल.आई.सी. के वर्तमान एक्ट के अंतर्गत इसके कार्य का विस्तार देश के ग्रामीण इलाकों तक नहीं हो सका और इसीलिए इसको पांच भागों में विभक्त करके ग्रामीण लोगों तक लाभ पहुँचाने के उद्देश्य से इसे लाया गया है। आप इसी भावना को दृष्टि में रखते हुए इस बिल को सपोर्ट करते हैं ताकि इसका विस्तार ग्रामीण इलाकों तक होना चाहिए। क्या आप ऐसा महसूस नहीं करते कि वर्तमान अधिनियम में ही बिना स्प्लिट किए, संशोधन लाकर, ऐसा प्रावधान कर दिया जाए, इसमें एक नया चैप्टर इस तरह का जोड़ दिया जाए ताकि एल.आई.सी. की ग्राम्य क्षेत्र के ग्रामीण इलाकों में खुले तो क्या इस बिल के उद्देश्य को प्राप्त नहीं किया जा सकता।

SHRI K. V. APPA RAO: Yes. It is not possible.

श्री राम लाल राही : इस बिल को आप सपोर्ट कर रहे हैं। आप कैसे मानते हैं कि पांच भागों में बाँटे जाने पर हम देश के ग्रामीण इलाकों तक आसानी से पहुँच सकते हैं। वही काम वर्तमान अधिनियम में संशोधन लाकर नहीं किया जा सकता।

SHRI K. V. APPA RAO: The decision making power of expansion is concentrated at one place i.e. central office. For everything we have to look to the central office for opening any branch office. And our experience has shown that we have utterly failed in that.

श्री राम लाल राही : लाइफ इंश्योरेंस कॉर्पोरेशन को पांच भागों में विभक्त करने के बाद जो पारस एक केयरफुल को दी जाएगी, यदि बिना कॉर्पोरेशन को विभाजित किए वैसी ही शक्तियाँ हर डिबिजन ऑफिसर को दे दी जाएँ तो क्या आपके विचार में एल.आई.सी. के काम को ग्रामीण इलाकों तक नहीं ले जाया जा सकता, एल.आई.सी. का विस्तार ग्रामीण अंचल तक नहीं किया जा सकता।

SHRI K. V. APPA RAO: The powers of the divisional offices are not sufficient. They are only sending proposals.

SHRI K. A. RAJAN: On page 2 of your memorandum you have said that the LIC employees were dragged out of the provisions of the Industrial Disputes Act. As it is I understand that you are opposed to the dragging of the employees from the provisions of the ID Act?

SHRI K. V. APPA RAO: Yes.

SHRI K. A. RAJAN: But you have not said anything about clause 64 of the Bill?

SHRI K. V. APPA RAO: This provision is existing in the present set up and it was challenged in the Court. But the court held that the employees can take active part in politics but they cannot contest. This clause goes against that.

SHRI SUBBA RAO: Sir, it is already covered in Para 6 of page 2.

SHRI SUNIL MAITRA: You have stated in para four that the Communists unions are responsible for the present plight of LIC employees. Who took away the bonus of 30 per cent?

SHRI K. V. APPA RAO: It was taken away under the Act by the Government of India.

SHRI SUNIL MAITRA: Who put the ceiling on DA?

SHRI K. V. APPA RAO: The Government.

SHRI SUNIL MAITRA: You have mentioned about confrontation and litigation. What does it mean?

SHRI K. V. APPA RAO: Here in LIC, right from beginning after nationalisation the experience of the employees shows that there is intensive fight going on among the sections of the employees for the rights encouraged by the union. And this matter was dragged to the court also. So the LIC employees were put in lurch.

SHRI SUNIL MAITRA: Are you aware that LIC employees and some unions went to the Allahabad High Court and Calcutta High Court against the Government Order so far as bonus and DA are concerned?

SHRI K. V. APPA RAO: About Bonus I am aware. But so far as DA is concerned, I am not aware of that.

SHRI SUNIL MAITRA: Did the Government order contain these two provisions—ceiling on DA and Bonus?

SHRI K. V. APPA RAO: Yes.

SHRI SUNIL MAITRA: Did the Unions go to the court against this order?

SHRI K. V. APPA RAO: The ceiling on DA came separately and they went to the court against Bonus.

SHRI SUNIL MAITRA: Out of the five All-India Unions in the LIC as many as four Unions were party to it.

SHRI K. V. APPA RAO: I am aware that two unions are party to it.

SHRI SUNIL MAITRA: Are you aware that BMS Union was also a party to the court case?

SHRI K. V. APPA RAO: It was only a silent spectator.

SHRI SUNIL MAITRA: But were they party?

SHRI K. V. APPA RAO: Yes.

SHRI SUNIL MAITRA: Are you aware that the All India Insurance Employees Association, of which Shri Madhu Dandavate is the President, is also a party to the Supreme Court case?

SHRI K. V. APPA RAO: Yes.

SHRI SUNIL MAITRA: If that is so, how do you say it is only the Communist Unions that are involved so far as the litigation is concerned?

SHRI K. V. APPA RAO: All the four Unions are involved as regards the bonus case is concerned and two unions i.e. All India Insurance Employees' Association and All India Life Insurance Employees Federation are the dominant parties in that four and even now they are the dominant section of the employees. Taking the other two names, perhaps it may add a certain amount of glory for the two Communist Unions, but it may not add much substance to this.

SHRI SUNIL MAITRA: How many Members do you have?

SHRI K. V. APPA RAO: Fifty.

SHRI SUNIL MAITRA: Are you an LIC Employee?

SHRI K. V. APPA RAO: Yes.

SHRI SUNIL MAITRA: In which Department do you work?

SHRI K. V. APPA RAO: At the moment I am working in policy loans department.

SHRI SUNIL MAITRA: How many policy loan applications are you disposing of every day?

SHRI K. V. APPA RAO: I am not entrusted with the loan applications, but I am entrusted with writing loan vouchers.

SHRI SUNIL MAITRA: How many loan vouchers are you completing every day?

SHRI K. V. APPA RAO: Twenty to twenty-five.

SHRI SUNIL MAITRA: How much time does it take to complete a loan voucher?

SHRI K. V. APPA RAO: It takes about ten to fifteen minutes.

SHRI SUNIL MAITRA: At what time your Office work starts?

SHRI K. V. APPA RAO: My office hours are from 10 a.m. to 5 p.m.

SHRI SUNIL MAITRA: By working six hours a day, how many loan vouchers can you dispose of.

SHRI K. V. APPA RAO: It is a theoretical preposition. But we do fifteen to twenty vouchers a day, but in practice in a final stage the whole department in which I am working is in a position to dispose of fifty loan applications. At times under pressure, we are in a position to dispose of 50 to 75 more loan vouchers.

SHRI SUNIL MAITRA: In your experience, have you come across a case where one quotation may take half an hour while another may take two hours? Is it possible?

SHRI K. V. APPA RAO: Two hours is not correct. At the most it may take fifteen minutes more.

SHRI SUNIL MAITRA: If one or two payments are missing and are not traceable in the record, can it not take one or two hours or three hours time to trace the payment?

SHRI K. V. APPA RAO: We are not tracing it. We are settling the loans first. If there is discrepancy we are writing to the party to come and give evidence on a particular date.

SHRI SUKOMAL SEN: You have said that your Association has got 50 members. Are all of them paid members? Can you submit a list of the Members of your Union to the Committee?

SHRI K. V. APPA RAO: Yes, I can do it

SHRI SUKOMAL SEN: In the second page of your memorandum you have said it also a fact that the other Unions with the connivance of the LIC Management have ruined the Administration of the LIC as a whole. You have said it is the Communist Union responsible for all this. Now you the Management is also in league with the Unions.

SHRI K. V. APPA RAO: Right from the beginning since the nationalisation we are having union dominated by the Communist leadership and the Management also right from the beginning is working in collaboration with the Unions.

SHRI SUKOMAL SEN: Why?

SHRI K. V. APPA RAO: Our experience shows that it is working and it has worked under the pressure of the Union and is in collaboration with the union led by the Communists. I made it clear also before the Tribunal how it was done.

MR. CHARMAN: I hope you have got your answer.

SHRI SUKOMAL SEN: I have got the answer, but it is a mystery.

SHRI APPA RAO: To clear the mystery I am prepared to give an example, if the Hon. Member wants it. We had a problem right from 1965 as to how the promotions in the LIC should be done. Prior to 1965 there was a procedure in the LIC that if an employee has passed the examination of the Federation of Insurance Institute, Bombay or an equivalent examination, he should be promoted automatically to the higher grade Assistant Cadre. That was the procedure earlier to 1965. This procedure was discontinued in several zones but in Eastern and Western Zones it was effectively implemented right upto 1971. The Union to which our Hon. Member also belongs entered into an agreement with the management on a new promotion policy. Before entering into that promotion policy they absorbed all the backlog in eastern zone and the western zone and they left all the other zones high and dry. When this was questioned, they held a meeting in which they agreed to give Rs .15 as compensatory allowance for not giving promotion.

If that is the way under which the management acts under pressure, naturally we are very much aggrieved. I made this point before the Tribunal also.

SHRI RAM PYARE PANIKA: Are you aware that there is an Association of employees belonging to the Scheduled Castes and Scheduled Tribes in this Division.

SHRI K. V. APPA RAO: Yes.

SHRI RAM PYARE PANIKA: What is the percentage of Scheduled Caste and Scheduled Tribe employees there?

SHRI K. V. SUBBA RAO: I think they are about 10 per cent.

SHRI RAM PYARE PANIKA: Are you aware that they are also supporting this Bill?

SHRI K. V. APPA RAO: Yes, Sir.

श्री राम लाल राही : आपने मैत्रा साहब के प्रश्न के उत्तर में बताया कि आप बाउचर काउन्टर का कार्य देख रहे हैं, जिसमें बिल आदि का कार्य भी सम्मिलित है तथा आपकी काम निपटाने की गति लगभग पन्द्रह मिनट में एक फाइल के हिसाब से है। आपके अनुसार यूनियन लगभग 9 घण्टे प्रतिदिन काम करती है जब कि दूसरी यूनियनें लगभग एक या दो घण्टे ही काम करती है। आपने मई माह में कितने बाउचर निपटाए ?

SHRI L. K. ADVANI: He refers to your earlier reply that it takes about 15 minutes to dispose of a voucher. The hon. Member asks whether you are in a position to give the committee a complete account of the work done by the Members of your Association during the last one or two months. While the employees of other unions are working for only 1 to 2 hours, your union employees are working for 9 hours.

SHRI K. V. APPA RAO: I have not said that. Those who are working are working for 6 1/4 hours and those who are not working are not working at all.

MR. CHAIRMAN: Employees of the LIC are having different unions. There

are certain unions who believe in violence. There are certain unions who do not believe in violence. Do you agree with this?

SHRI K. V. APPA RAO: Yes, Sir.

MR. CHAIRMAN: That there are unions which believe in violence and there are unions which do not believe in violence.

SHRI K. V. APPA RAO: Yes, Sir.

MR. CHAIRMAN: Those unions which can use violence, they can very well threaten the management and they get the work done. Is it correct?

SHRI K. V. APPA RAO: Yes, Sir. They can get their work done and not office work?

MR. CHAIRMAN: Therefore, because of those unions the policy-holders of the country suffer?

SHRI K. V. APPA RAO: Certainly.

MR. CHAIRMAN: Therefore, it is a wastage of our money or the money which we spend is the money of the policy-holders and we have to waste our money for over these employees who do not work and who use violent methods. Those employees who indulge in violent methods and who do not work in the office we have to pay their wages?

SHRI K. V. APPA RAO: Yes, Sir. Not only we are paying wages but we are protecting them also.

MR. CHAIRMAN: For this purpose the Indian Government has passed a Bill in 1981. The legislation was passed in 1981 in order to control the expenditure and certain rules and regulations and bye-laws are to be framed for the employees. Do you agree with that Bill?

SHRI K. V. APPA RAO: I agree.

MR. CHAIRMAN: If that was so, you totally agree that in order to safeguard the interests of the policy-holders and in order to safeguard the interests of the community and the interests of the country, we must have certain rules, regulations and bye-laws for the employees?

SHRI K. V. APPA RAO: I agree

MR. CHAIRMAN: Thank you very much.

(The witnesses then withdraw. The Committee then adjourned)

RECORD OF EVIDENCE TENDERED BEFORE THE JOINT COMMITTEE
ON THE LIFE INSURANCE CORPORATIONS BILL, 1983

Thursday, 14 June, 1984 from 1000 to 1300 hours and again from 1500 to 1730
hours in Committee Room No. 46, West Bengal Legislative Assembly, Calcutta.

PRESENT

Shri Mool Chand Daga—Chairman

MEMBERS

Lok Sabha

2. Shri Satish Agarwal
3. Shri Ghayoor Ali Khan
4. Shri Sunil Maitra
5. Shri Braja Mohan Mohanty
6. Shri Ram Lal Rahi
7. Shri K. A. Rajan
8. Shri M. S. K. Sathiyendran
9. Shri Hatvarsinh Solomki

Rajya Sabha

10. Shri Lal K. Advani
11. Shri Vithalrao Madhavrao Jadhav
12. Shri Sudhakar Pandey
13. Shri Sukomal Sen
14. Shri Rameshwar Thakur

SECRETARIAT

Shri G. L. Bhatt—Senior Examiner of Questions.

REPRESENTATIVES OF THE MINISTRY OF FINANCE (DEPT. OF ECONOMIC AFFAIRS)
(INSURANCE DIVISION)

1. Shri H. M. S. Bhatnagar—Additional Secretary.
2. Shri R. K. Mahajan—Controller of Insurance.
3. Shri S. Subrahmanyam—Managing Director, LIC.
4. Shri S. D. Raheja—Under Secretary.

WITNESSES EXAMINED

I. All India National Insurance Officers' Congress, 88, Picnic Garden Road, Calcutta-700039.

Spokesmen:

1. Shri K. K. Banerjee
2. Shri A. K. Chakraborty
3. Shri J. J. Santra,
General Secretary.

II. Eastern Zone Insurance Employees' Association, 24 Chittaranjan Avenue, Calcutta.

Spokesmen:

1. Shri Ranjit Ghosh, President
2. Shri Shanti Bhattacharjee, General Secretary
3. Shri Saradindu Bagchi, Committee Member.

III. Jatiya Jiban Bima Karmachari Samiti (Purabanchal), 127/123, Manicktala Main Road, Calcutta-700054.

Spokesmen:

1. Shri K. P. Chakraborty, General Secretary.
2. Shri Bibhuti Bhusan Das
3. Shri Bibhuti Bhushan Basu
4. Shri Santosh Kumar Mukherjee.

IV. Life Insurance Agent's Federation of India 8, Bechu Chatterjee Street Calcutta-700009.

Spokesmen:

1. Shri A. K. Purkayastha, Secretary General.
2. Shri K. L. Thukral, President, New Delhi
3. Shri N. C. Chandak, Vice-President, Nagpur.
4. Shri M. R. Das, Member Secretary, Calcutta.
5. Shri R. N. Malhotra, Member, Central Secretariat.
6. Shri A. Pal—Member, Central Secretariat.

I. All India National Insurance Officers' Congress 88, Picnic Garden Road, Calcutta-700039.

Spokesmen:

1. Shri K. K. Banerjee
2. Shri A. K. Chakraborty
3. Shri J. J. Santra,
General Secretary.

(The witnesses were called in and they took their seats)

MR. CHAIRMAN: Before you start, I may point out that in accordance with the provisions contained in Direction 58 of the Directions by the Speaker, your evidence shall be treated as public, and is liable to be published, unless you specifically desire that all or any part of the evidence given by you should be treated as confidential. Even though you might desire your evidence to be treated as confidential, such evidence is liable to be made available to the Members of Parliament.

I have gone through your memorandum. Do you agree with the principle of the Bill?

SHRI K. K. BANERJEE: Yes.

MR. CHAIRMAN: Do you know the objectives of the LIC when it was nationalised in 1956?

SHRI K. K. BANERJEE: Yes.

MR. CHAIRMAN: Have they achieved the objective, or not?

SHRI K. K. BANERJEE: In our view LIC enjoys complete monopoly in life insurance business since its inception, but failed to achieve the objectives substantially.

MR. CHAIRMAN: Can you give me the number of the policy-holders?

SHRI K. K. BANERJEE: It will be 2.5 crores.

MR. CHAIRMAN: It is not the number. These are the policies.

SHRI K. K. BANERJEE: That figure is not with me.

MR. CHAIRMAN: What is the percentage of policy-holders who are in rural areas?

SHRI K. K. BANERJEE: About 40 per cent.

MR. CHAIRMAN: 45 lakh policy-holders are from rural areas. Therefore, we have not achieved the objectives. So, will you like to suggest something on this score?

SHRI K. K. BANERJEE: Actually we agree with the entire Bill as proposed, but there are some suggestions here and there. We fully agree with the suggestions regarding the claims tribunal, service matters tribunal, etc., but regarding the claims tribunal there is Section 23, sub-section 4, which says if any policy holder is to out his claim, it should be exhaustive. And once he fails to place any policy or claim, then he is finally debarred. But actually what we feel is that it should be like an organ of the judiciary functioning. We deal with the illiterate policy-holders. They may forget to pick up papers. Finally barring at the initial stage should not be there. Some provision for amendment in the Claims

Tribunal should also be there as in the provisions for amendment of plaint/claim laid down in the civil Procedure.

MR. CHAIRMAN: It is a very good suggestion. If there are sufficient reasons, he can put his submission and it should be taken into consideration. Any other suggestion?

SHRI K. K. BANERJEE: If a policy holder or his nominee wants to approach the Claims Tribunal, it should be through a token sum.

MR. CHAIRMAN: What is provided here is that it will extend up to Rs. 500.

SHRI K. K. BANERJEE: In the Service Tribunal when an employee, who is under suspension without sufficient payment, approaches the tribunal, in his case that minimum sum should also be considered for reduction.

SHRI K. A. RAJAN: In contacting the masses you have said there are snags which are in the way of reaching the masses.

SHRI K. K. BANERJEE: Actually by the term snags we have tried to explain as Class I Officers we find there are impediments that stand in our way. Suppose a claim is repudiated by the Divisional Manager. Our Review Committee is at the Central Office level with the Managing Director, who along with the Chairman reviews the case. Suppose the policy holder comes and hands over a letter. It is our duty to tell him that we are sending that at the Central office and that he should wait. But those people continue to come very often to the persons who deal with the claim repudiation cases; and they cannot satisfy them for the delay.

Secondly at the inception of the policy we have to see that a policy holder can come and deposit his premium very quickly, but it is rather a matter of regret that in our industry the delay is longer than it is there in any other commercial organisation. Suppose a man approaches Electricity Supply Corporation. There the Bill is sent along with the demand. The NCR machine is used and he immediately gets off the counter after making the payment. In our case we have to fill in records and

that takes time. In the Era Sezhiyan Committee also there was a suggestion to overcome this difficulty by introduction of NCR machines. The snag is that if we want to change the procedure at the counter we cannot do it.

Thirdly, we are dealing with commercial banks. Previously they were very much enthusiastic to lift our cash from the counter, but now a days, though the Banks have been nationalised, some sort of apathy has also crept in them and they are trying to avoid us. Therefore, we are facing a daily problem that for any sort of change we have to negotiate with the Bank Manager. We cannot effect any change immediately. Firstly for any change we have to send it to our Central Office and wait. Similarly for any change we have to negotiate with the Bank. These are the problems. Because of these reasons we cannot give good service to our policy holders. Even in the standard proforma or procedure, we cannot make any modification suiting to the need of the situation or area. Besides the executive and policy making control is with the Central Office. At the inception of the LIC it was conceived that the policy-making powers will be at the Executive Level, but decision-making powers will be at the different places. But if you go to the Staff Evaluation Committee, you will find that an Officer with the rank of A.D.M. cannot be transferred by the Zonal Officer with the result that some branches may go without any competent Branch Manager. Even though the Zonal Manager may feel that a particular senior man can go there, yet he has to wait for the concurrence from the Central Office. Moreover, our teleprinters and telephones are generally out of order. So, we have got problems in the communication also.

SHRI K. A. RAJAN: You have stated that there is a snag in the working. Does that mean that decentralisation can look after all these snags?

SHRI K. K. BANERJEE: Not entirely.

SHRI VITHALRAO MADHAVRAO JADHAV: You have said in this Memorandum that the split up of the Corporation will help in the spread of insurance in

the rural areas, because one Central Office cannot gauge the need of the Branch located in a far off area. I would like to know with the split how will this business spread more to the rural areas? Secondly, you have stated that by the split the economic growth and rural unemployment problem can also be solved. I want some more clarification on these points.

SHRI K. K. BANERJEE: Actually for extension of the business in the rural areas, the structure of the set up will have to be different. As now the proposal has to come from the local Divisional Manager. It is examined by the Zonal Office, it is placed at the Zonal Advisory Board and then sent to the Central Office. This four or five tier of discussion delays the business. Actually the Zonal Manager will be of the entire Zone and he should have the authority to open a branch anywhere till a permission comes from the Central Office. But it is not so. On the other hand banks are being opened in any market place, any subdivisional towns. Wherever we go, we find banks, but LIC offices are not found there. A policy holder has to come several kilometres to deposit his premium. Apart from that the business gets lost because people do not know how to fill in the money order forms and that they are afraid of filling any paper. So, also the policy gets lapsed. That way the business expansion gets affected.

Secondly with the split the rural unemployment problem will really be solved a little. I have seen if the branches are extended, there will be more Agents working with the Life Insurance Corporation on commission. That way offering employment to a semi-rural or sub-divisional or village area people of 200 families is not a very meagre job. It is a good job.

SHRI VITHALRAO MADHAVRAO JADHAV: Is there any provision in this Bill that by the split of the Corporation the rural employment can be increased?

SHRI K. K. BANERJEE: Each Corporation is authorised to open its branches unfettered—of course, keeping in view the

condition that for opening of branches in other areas they have to consult the Government. Automatically by this beneficial results will follow.

SHRI SUNIL MAITRA: When was your organisation formed? In which year?

SHRI K. K. BANERJEE: 25th February, 1984.

SHRI SUNIL MAITRA: What is the membership of your organisation?

SHRI K. K. BANERJEE: Membership is daily increasing. Latest figure I cannot tell. Calcutta figure—it is around 70. We have 250 officers in Calcutta; out of them 70 are our Members.

SHRI SUNIL MAITRA: You say that you represent the All India National Insurance Officers' Congress. So, you must be in a position to give the latest figure of your all India Organisation.

SHRI K. K. BANERJEE: Actually, our officers, over and above, their duty have to canvas business beyond office hours. So the spread has been very slow but I think we have increased.

SHRI SUNIL MAITRA: Life Insurance Corporation recognise you? Of course, *de facto* recognition has been accorded to you.

SHRI K. K. BANERJEE: We have informed the Chairman and the Zonal Manager about the formation of the organisation. So far as LIC is concerned, no recognition is there. Not a single union has been recognised by the LIC.

SHRI SUNIL MAITRA: Therefore, I asked you if *de facto* recognition has been given. Then is there any other organisation of LIC officers accorded *de facto* recognition?

Has this Association been accorded *de facto* recognition by the LIC management?

SHRI K. K. BANERJEE: Of course, time schedule has not been there.

MR. CHAIRMAN: *De facto* might have been given but *de jure* not been given.

SHRI SUNIL MAITRA: You say in your memorandum that the split will ensure decentralisation of administrative and financial powers. By decentralisation in the Life Insurance Corporation context, what actually do you mean?

SHRI K. K. BANERJEE: I wanted to impress that by decentralisation we mean decentralisation of executive as well as policy-making powers.

SHRI SUNIL MAITRA: Will it ensure that the powers will be delegated to organisations even at the grass-root level?

SHRI K. K. BANERJEE: Of course, it has to be a graded one—a graded delegation. We do not think of delegating to the Branch Manager the powers of the Zonal Manager but Branch Manager has to pay the bonus or claim when it arises.

SHRI SUNIL MAITRA: It is only right upto the payment of claims there powers should be delegated to the Branch Officers. Is it your contention that by decentralisation you mean that such powers should be delegated to the Branch organisations?

SHRI K. K. BANERJEE: Actually, that is the vital point. We want that. You are correct. Upto Rs. 10 lakhs the Branch Manager or whoever is in charge of the Branch should settle it. It varies according to the gradation of the Branch. That way I take the money from the Branch Manager himself and I do not go to the Head Office or the Divisional Office. What we want is that our policy-holders, whatever is their due, they get it from the Branch.

SHRI SUNIL MAITRA: In that case, if there are enough powers right from under-writing of the proposals to settlement of claims, both maturity and death in the present set up, will it serve the purpose of decentralisation?

SHRI K. K. BANERJEE: Actually from my experience as an officer for 9 to 10 years in industry, I feel mere delegating the power and not giving the power of policy-making or executive power to the next higher officers means very little. If

he does not have that power, it will be useless to delegate the powers to Branches because Branches will be holding the power and they will not be able to utilise it.

MR. CHAIRMAN: What prevents them from not utilising that power?

SHRI K. K. BANERJEE: Again we come to the point of powers of a Branch Manager to receive the premium at the shortest possible time because there is no decision making here. The Branch Manager cannot take it up that way in spite of the power to receive the premium at the earliest. Certain policy-making decisions are always involved.

SHRI SUNIL MAITRA: Are you aware that the LIC about 5 years ago took a decision to equip most of their big branches with micro-processes and mini computers. Do you think these micro processes will be of great help and will improve the matters?

SHRI K. K. BANERJEE: Micro-processes—that type of machines are very new in the LIC. We have not yet made any attempt. I know in big Divisions like Bombay and Calcutta we have started. Our experiences vary. Somewhere there are some initial snags but on the whole it can be said that it is on an experimental stage and we must do the experiment very honestly and sincerely and then come to an opinion.

SHRI SUNIL MAITRA: Are you aware that in other Divisions their experience of the micro processes is good. Are you aware of this? You represent an all India Service Association. You must have this information.

SHRI K. K. BANERJEE: Actually the information that has trickled down to us vary. Somewhere it is satisfactory and it is good and somewhere some problems have come.

SHRI SUNIL MAITRA: Suppose there are five corporations. What makes you think that the delegation of powers in five corporations will be there in the way you

are thinking? Is there any provision in the Bill which enables you to say that if there are five corporations, there will not be delegation of power—including policy making powers—to those corporations? What makes you think so?

SHRI K. K. BANERJEE: Actually that is the main point for the division. Practically we are like one horse in all life insurance business. If we are like five horses running in a race course, there will be competition. Our Chairman will be heading the Eastern Zone and another will be heading the Western zone, and so on.

SHRI SUNIL MAITRA: As things stand at present, out of the five corporations that will be formed, the Eastern Zone corporation will be the poorest. So far as the economic viability is concerned, opening of branches is concerned, the Eastern zone will be the poorest. If there is competition between the Bombay Corporation and the Calcutta Corporation, do you think that there is any chance for the Calcutta Corporation competing with the Bombay Corporation? If the rate of bonus in the Bombay Corporation is more why should a man belonging to the Eastern Zone insure with the Calcutta Corporation?

SHRI K. K. BANERJEE: Actually, the hon. Member may be having this in mind that the expense ratio in the Eastern Zone is more. Because the Chairman sitting in the Eastern zone, he will have to compete with the higher income groups. Mere spending less does not mean less expenditure. If we spend more we will also be giving a good picture by earning more.

MR. CHAIRMAN: You see Clause 9(1)(a) which says:

“...Each Corporation shall be primarily responsible for the intensive development of life insurance business within the zone.”

So, when it is decentralised into five Corporations or split up into five Corporations, they will do more business.

SHRI K. K. BANERJEE: Yes. They will do more business, we agree.

श्री राम लाल राही : आपने अपने स्टेटमेंट में भी कहा और हमारे चेयरमैन महोदय के प्रश्न के उत्तर में भी स्वीकार किया कि एल आई सी का ग्रामीण क्षेत्रों में काम लगभग नगण्य है, शहरी इलाकों में उसका प्रतिशत 70 है तो ग्रामीण इलाकों में लगभग 30 प्रतिशत है। क्या आप बता सकते हैं कि ग्रामीण क्षेत्रों की तरफ ध्यान न दिए जाने के पीछे क्या कारण रहे हैं और उसके लिए कौन जिम्मेदार है?

SHRI K. K. BANERJEE: Actually there are some internal rules governing agents that stand in the way. I do not like to go into the details here. Every agent has to give so much business within such and such a period. Development officers have got some quota. They are doing it this way. Otherwise, the development officer may lose his job or get a punishment. Actually if we have our profits, our aim will be to protect the policy holder and it will be resulting in a strong organisation.

श्री राम लाल राही : क्या आप इस बात से अवगत हैं कि किसी ब्रांच को खोलने के लिए एल आई सी के अधिकारियों को फिर्न्स डिपार्टमेंट से परमिशन लेनी पड़ती है और तभी किसी नई ब्रांच को खोला जा सकता है। क्या आपके डिवाइजल मैनेजर को ऐसा पता है?

SHRI K. K. BANERJEE: No; the Central office can do it.

श्री राम लाल राही : यदि एल आई सी का काम शहरी इलाके में नहीं ब्रांच खोलना चाहें तो क्या प्रोसेजर क्या है उसे खल सकती है?

SHRI K. K. BANERJEE: The procedure is, the Divisional Manager surveys the organisation, he sends the report to the Zonal Manager, the Zonal Manager sends

it to the Zonal Advisory Board, and ultimately the central office is the arbiter or decision making body.

श्री राम लाल राही : यदि एल आई सी पांच भागों में विभक्त कर दी जाती है तो फिर भी उसमें वही अधिकारी काम करेंगे जो आज कर रहे हैं और जिनके कारण एल आई सी का विकास ग्रामीण इलाकों तक नहीं हो सका। आपने माना कि वह सिर्फ 30 प्रतिशत ही रहा है। जो कुल पोपुलेशन का एक प्रतिशत से भी कम पड़ता है। हमें यह कैसे विश्वास हो कि वही अधिकारी अब रूरल इलाकों में ज्यादा ब्रान्चेज खोल सकेंगे।

SHRI K. K. BANERJEE: The delay involves other provisions also. First, the expense ratio factor is there. Then the other agents, after a certain number of years they will have some problems. It will be better for us to have in urban areas other agents. Each Corporation will have to disperse itself to rural areas.

श्री राम लाल राही : मान लीजिए कि यह बिल पास हो जाता है और एल आई सी को पांच भागों में विभक्त कर दिया जाता है। स्वाभाविक है कि फिर इसमें एक के स्थान पर पांच चेयरमैन होंगे, उनका अपना अपना स्टाफ होगा, और हरेक का अपना बोर्ड होगा। उनका खर्चा बढ़ जाएगा। यदि इस तरह बढ़ा हुआ खर्चा, वर्तमान एक्ट के तहत रूरल इलाकों में एल आई सी के विस्तार पर, नई ब्रान्चेज खोलने पर लगा दिया जाए तो क्या उससे लाभ मिल सकता है अथवा हानि होगी?

SHRI K. K. BANERJEE: That is not possible because ultimately that strikes the ego of the monolithic structure by delegation of power. Whoever be in the Central Office, he will not lose his real power.

श्री राम लाल राही : इस बिल के पास होने के बाद पांच भागों में विभक्त सभी भागों को कुछ पावर्स दी जाएंगी। आज के बेयरमैन के पास जो पावर्स विद्यमान हैं, यदि वर्तमान एल० आई० सी अधिनियम के अंतर्गत वही पावर्स एल आई सी के पांच जोन बनाकर उनको बांट दी जाएं, जो कि स्प्लिट होने के बाद मिलने वाली है और इस बिल के पास हो जाने के बाद जिन पावर्स के मिलने की उम्मीद की जा रही है, तो आप समझते हैं कि उनके सामने कोई कठिनाई आयेगी या उनका काम ग्रामीण इलाकों तक अच्छी तरह से फैलाया जा सकता है। क्योंकि इस बिल का उद्देश्य यही है कि 1956 के अधिनियम के रहते एल आई सी का कार्य ग्रामीण इलाकों तक नहीं फैलाया जा सका।

SHRI K. K. BANERJEE: The competition factor ensures all eventualities.

श्री राम लाल राही : इस बिल के पास हो जाने के बाद यह पांच भागों में विभक्त होगा, और पांच बोर्ड ऑफ डायरेक्टर्स बनेंगे, हर भाग में कुछ ऑफिसर्स होंगे, जिनमें फाइनेंस विभाग तथा कई दूसरे विभागों के व्यक्तियों को शामिल किया जाएगा। अगर बोर्ड ऑफ डायरेक्टर्स तथा बेयरमैन सभी जोन्स में नॉन ऑफिशियल बना दिए जाएं तथा स्प्लिट करने के बजाय हर जोन में नॉन-ऑफिशियल एडवाइजरी बोर्ड बने और वे एल आई सी के ग्रामीण क्षेत्रों में विस्तार के सम्बन्ध में एडवाइज करें तो क्या आप इस सुझाव को हितकर समझते हैं या इससे कोई लाभ होने की आशा नहीं है।

SHRI K. K. BANERJEE: We are having zonal Advisory boards of the non-officials at present. But that could not do much. But the Bill gives a wider spectrum of choice.

SHRI SUKOMAL SEN: On page 2, second para you have said that more investment has been made in areas which have good industrial base. When the LIC was nationalised what were the aims that were set forth before LIC for investment?

SHRI K. K. BANERJEE: A percentage ceiling was fixed. 75 per cent of the total money was to be invested in Government securities and 25 per cent was left to the LIC management to decide.

SHRI SUKOMAL SEN: What is the reason for not achieving the objective? Where lies the fault?

SHRI K. K. BANERJEE: No defect lies with the formula of the Government, because if we earn more we invest more.

SHRI SUKOMAL SEN: If the policy is not changed about investment, how can you expect that the social objectives will be fulfilled after splitting up the Corporation?

SHRI K. K. BANERJEE: The fault lies with the monolithic structure. Our investment body is solely and fully working in one office in the Central Office. The zonal offices do not have any say. So, many State Governments do not know how to bring in investment from the LIC.

SHRI SATISH AGARWAL: Are you aware that there are countries in the world which are much smaller in size than UP, Madhya Pradesh, Bihar, Orissa and West Bengal and there are various companies and corporations operating within those small countries?

SHRI K. K. BANERJEE: Yes.

SHRI SATISH AGARWAL: Will it not be more appropriate if a corporation is separately formed for each State which has a population of more than one or two crores so that they can spread the business in rural areas much faster and quicker?

SHRI K. K. BANERJEE: We do not want atomisation of public sector organisations.

SHRI SATISH AGARWAL: I am on the point of spreading the message of insurance in rural areas much quicker. Will

that not be more desirable to have corporations for each State independently instead of having one Corporation in the Eastern Zone comprising of Bihar, Orissa and the whole of North Eastern region?

SHRI K. K. BANERJEE: No, Sir, we do not propose to have corporation in every province. To split in up into five Corporations will be better.

SHRI SATISH AGARWAL: You have said that the message of insurance has to be spread in the rural areas, because there is so much of centralisation in Bombay. Don't you think that with the split in five zones, there will be centralisation in the zonal corporations?

SHRI K. K. BANERJEE: Somewhere one has to strike a balance between minimum and maximum. We have gone in for optimum number. Five will be viable and compatible units.

SHRI SATISH AGARWAL: You are complaining about the distance from Bombay. You know the distance from Calcutta the Eastern Zonal headquarter to the last point in an Eastern area say in Aijwal will be about one thousand miles. So, don't you think you will be doing great disservice to North Eastern centre completely?

SHRI K. K. BANERJEE: There is no question of dis-service. We have also to see what is viable. Of course, we can have our branches there, but not the entire paraphernalia in the rural areas.

SHRI RAMESWAR THAKUR: You say you are the front-line Officers who have the internal management of the Corporation in a particular zone and that you also come in touch with the public. In view of your rich experience, you feel it is essential that the corporation should be split into five Corporations in order to remove the difficulties and snags and also to improve the image of the Corporation. In this context, you have made four points in your memorandum. In the first part you have laid stress on what you call structural organisation of the corporation and then you feel that the eight tier of class I officers inside the Corporation, as it is working

today, should continue; and taking into consideration the Staff Regulations of 1960 as amended in 1981 according to you there is extreme personnel control.

SHRI K. K. BANERJEE: If you kindly have a look at our Staff regulations, You will see that only the lowest rank of officers are totally controlled by the Zonal Management. For other ranks substantive power is at Central Officers. Actually the new entrants in the Cadre are being controlled by the Zonal Manager.

SHRI RAMESWAR THAKUR: Considering the Staff Regulation of 1960, you feel that there is not enough decentralisation. Now, in para 2 you have mentioned about the financial powers. According to you the Zonal Manager in charge of the zone has got the authority to compromise on any suit less than Rs. 5,000 and any suit beyond Rs. 5,000 must be referred to the Central Office.

SHRI K. K. BANERJEE: Yes.

SHRI RAMESWAR THAKUR: According to you, in order to achieve speedy justice and to have more efficient working by the Zonal Manager, if the five Corporations are set up, then according to you they will be able to better control the operations upto the Divisional Branch level. Is it a fact or it is only your submission?

SHRI K. K. BANERJEE: Actually, if the zonal Manager is made the final authority, he will definitely have a speedy functioning and control according to the needs of the situation.

SHRI RAMESWAR THAKUR: The third point you have mentioned about the development and marketing sites. You say even for opening divisions and Branches, ultimately the matter goes to the Central Office. It takes a longer time. According to you they are not able to gauge the situation. Suppose, you have to open an Office at Aijwal or at Mizoram, you must take permission from the Central Office and the Central Office does not realise the urgency of the situation. Is it your contention?

Is it also a fact that at the moment in the entire Eastern Region, According in Arunachal Pradesh, Meghalaya, Tripura, Mizoram and Nagaland you do not have even a single Divisional Office?

SHRI K. K. BANERJEE: Actually we are not having Divisional Offices there.

SHRI RAMESHWAR THAKUR: I am asking a factual question: There are no Divisional Offices in these places. Only you have one in Assam. After bifurcation of Gauhati, the business of both Silchar and Gauhati increased.

SHRI K. K. BANERJEE: It is a fact.

SHRI RAMESHWAR THAKUR: Do you think that if more Divisions are opened in the Eastern Region, there are possibilities and potentials. When more branches are opened, there may be more business.

SHRI K. K. BANERJEE: There will be more business.

SHRI RAMESHWAR THAKUR: According to you the thrust in the rural areas as you have said in the memorandum, on account of the monolithic structure, is not possible and you feel that if the structure is brought to the level of the zone and if a new corporation is formed at the zonal level, possibly there can be more service to the rural people. It is what you think

SHRI K. K. BANERJEE: Factually the point is the development aspect. You see in the LIC intensive market research in rural areas has not been done; why rural, even in semi-urban areas they have not done. So with an intensive market research we will be able to locate the actual potential areas.

SHRI RAMESHWAR THAKUR: The last point is in regard to investment. You feel that in spite of the Directive Principles of State Policy, no thrust worth speaking has been made into the rural areas by the LIC and under the present Bill, you feel the message of insurance can be taken to the different parts of the country and particularly you referred to the 20 point programme of the Central Government and you feel that it can be better applicable

to the rural areas and in this region particularly and funds for investment could be better utilised for this reason and more adequately and on a bigger scale. Is that your submission?

SHRI K. K. BANERJEE: We have not elaborated that point. We have meant exactly what you said.

SHRI RAMESHWAR THAKUR: One thing and it is the last thing. A question was asked in regard to eastern zone. You have given some answers and in spite of the supplementaries it seems your answer is not complete. In the eastern region the area that you have covered is 6,00,088 km and Western region will have an area of 5,00,008 km. So there is more area in the Eastern region. The population in the western region is 9.80 crores. Population of eastern region is 17.79 crores compared to 8.80 crores of the western region. There are 8 Divisions in the Western Region. We have 9 Divisions in the Eastern Region. Then we have in the Western Region 201 Branches and in the Eastern region we have 176 branches. There are now 2 additions. In 1983-84—3 to be opened and 1984-85—11 to be opened. So total is 189. In any case, if we have more Branches, do you think in the Eastern Zone in course of time, given the opportunity we can have more business and a greater viability?

SHRI K. K. BANERJEE: We are going to have five corporations. We have got that potential that is not tapped. We have not already tapped. We have not done any market research. In the hill areas there is a vast development potential.

SHRI RAMESHWAR THAKUR: It is a fact that as on 21st March, 1984 the new business in the eastern zone was 10.5 more than that of the earlier year, i.e. 1982-83 whereas in the western zone it was only 4.3 per cent. If it is so, do you think that your increase must be faster? We are more concerned with the eastern and the central zone as there we have a large population of weaker sections. So you feel that it is possible that with the growth as pointed out in your memorandum the eastern zone could be viable in all respects?

SHRI SATISH AGARWAL: He quoted certain figures to which you said 'Yes', 'Yes'. You kindly see that of March 1984. What is the percentage increase of business in the eastern zone as against the western and the central sectors? That is given in the chart. That is an official one.

SHRI K. K. BANERJEE: This is an official document. We are not remembering.

SHRI SATISH AGARWAL: You take judicial cognisance of this chart. The witness is nodding to every figure without knowing the figures. You can only say that there has been an increase. But the quantum you do not know. His submission to the Committee is that the expense ratio will be the highest in the Eastern Zone. So, business will not allow it. If you see the Five Year Plan, the maximum number of people living below the poverty line is in the Eastern Zone.

MR. CHAIRMAN: We can see the chart and see whether it is so. Your question should be small.

SHRI BRAJA MOHAN MOHANTY: You have gone through the Bill and given the Memorandum. Only some points in respect of which you have specifically mentioned in the memorandum, I am asking questions. Now, you know that the regional disparity in insurance business is a growing phenomenon. It is growing everywhere.

MR. CHAIRMAN: What has that got to do with this Bill?

SHRI BRAJA MOHAN MOHANTY: The whole purpose of the Bill is that to expand the insurance business in the rural areas and for that these regional disparities should be removed. I will put a general question.

SHRI K. K. BANERJEE: You meant, as I thought, that disparity operates for collecting premium for the insurance from the people. It is true that regional disparity is a growing phenomenon in the country and everyday it is growing.

SHRI BRAJA MOHAN MOHANTY: Likewise in tribal and urban areas and Eastern and Western Zone or Central Zone, you will find that the regional disparity in insurance business is a growing phenomenon.

SHRI K. K. BANERJEE: Not exactly. Actually, every area has got its own potentialities. What we want is that this Bill will achieve tapping of resources.

SHRI BRAJA MOHAN MOHANTY: Each area has got its own potentialities. But do you agree that there are regional disparities or not?

SHRI K. K. BANERJEE: No.

SHRI BRAJA MOHAN MOHANTY: That means there is no regional disparity.

SHRI K. K. BANERJEE: The question is, by regional disparity we mean that there is no discrimination.

SHRI BRAJA MOHAN MOHANTY: In certain regions insurance business is picking up in comparison to some other regions.

SHRI K. K. BANERJEE: That I agree.

SHRI BRAJA MOHAN MOHANTY: You believe that one of the principal reasons for this regional imbalance is the policy collecting method which differs from one area to another. You also believe that the splitting up of the Corporation will promote that kind of intensity and concentration of insurance activity which will promote the growth of insurance activity in a new organisation.

MR. CHAIRMAN: Suppose if there is some income for the Life Insurance Corporation, 92 per cent of the total income is distributed by the Centre. If there are weaker sections than LIC, what happens?

SHRI K. K. BANERJEE: Actually if the entire surplus of the income be combined and invested by the Central Government we have got no objection. Government holds cent per cent share in this company. What we have been doing under the guidance of the Government, the Government itself may very well do it.

Another point is, the Bill envisages some uniformity and other things, one factor goes against the unity in the Life Insurance Corporation. That power is there. But what I feel is that this Government should also touch a very vital part, that is inside the country there should be uniformity in the Class 1 officers of LIC, regarding their retirement age.

MR. CHAIRMAN: You have already given it in the memorandum. If you have got any further suggestions to give, You can send them to us. Thank you very much.

(The witnesses then withdrew)

II. Eastern zone Insurance Employees' Association 24 Chitranjan Avenue, Calcutta

Spokesmen:

1. Shri Ranjit Ghosh, President
2. Shri Shanti Bhattacharjee, General Secretary.
3. Shri Saradindu Bagchi, Committee Member.

(The witnesses were called in and they took seats).

MR. CHAIRMAN: Before you, start, I may point out that in accordance with the provisions contained in Direction 58 of the Directions by the speaker, your evidence shall be treated as public, and is liable to be published, unless you specifically desire that all or any part of the evidence given by you should be treated as confidential. Even though you might desire your evidence to be treated as confidential, such evidence is to be made available to the Members of Parliament.

Do you propose any amendment in any of the clauses?

SHRI SHANTI BHATTACHARJEE: No.

MR. CHAIRMAN: Your Association has a constitution. What are its aims and objectives?

SHRI SHANTI BHATTACHARJEE: To further the interest of the employees and to help achieve the objective of nationalisation.

MR. CHAIRMAN: Do you know the objectives of the Nationalisation Act of 1956?

SHRI SHANTI BHATTACHARJEE: Yes.

MR. CHAIRMAN: It is mainly to serve the policy-holders and to develop the business with the utmost economy. What is the number of policy-holders in the country today?

SHRI SHANTI BHATTACHARJEE: Total number of policy are 2.5 crores.

MR. CHAIRMAN: How many people have been covered by the LIC in the country?

SHRI SHANTI BHATTACHARJEE: 2.5 crores. The management does not publish.

MR. CHAIRMAN: From where did you get the figures?

SHRI SHANTI BHATTACHARJEE: LIC publishes these figures every year.

MR. CHAIRMAN: Can you let me know the figures?

SHRI SHANTI BHATTACHARJEE: We will give.

MR. CHAIRMAN: What is the number of policy-holders in rural areas?

SHRI SHANTI BHATTACHARJEE: We will give later on.

MR. CHAIRMAN: How many maturity claims are pending today?

SHRI SHANTI BHATTACHARJEE: I do not have the figures.

MR. CHAIRMAN: It is 1,16,838. Can you give me the number of death claims pending?

SHRI SHANTI BHATTACHARJEE: I do not have.

MR. CHAIRMAN: Can you give me the figures of unadjusted amount today?

SHRI SHANTI BHATTACHARJEE:
No.

MR. CHAIRMAN: What is the number of complaints pending today?

SHRI SHANTI BHATTACHARJEE:
They don't supply.

MR. CHAIRMAN: The complaints are before the Divisional Officers.

SHRI SHANTI BHATTACHARJEE:
Yes, they get complaints.

MR. CHAIRMAN: What is the number of complaints?

SHRI SHANTI BHATTACHARJEE:
It is 337 as on March 1984, in Eastern Zone.

MR. CHAIRMAN: In the latest Report of the LIC, which you must have seen, the number is more than 9,711 for the whole of India. In the East Zone, it is 3,047.

SHRI SHANTI BHATTACHARJEE:
It is not correct.

MR. CHAIRMAN: I think you are an employee of the LIC. What position are you holding there?

SHRI SHANTI BHATTACHARJEE:
I am a Stenographer.

MR. CHAIRMAN: Now, tell me about the complaints which you get everyday on the average.

SHRI SHANTI BHATTACHARJEE:
The complaints come from three sources.

MR. CHAIRMAN: If you know the figures, give me or you can send them later on.

You see, because the LIC has totally failed in achieving its objectives, this Bill has been brought before the Parliament.

SHRI SHANTI BHATTACHARJEE:
This is your observation, Sir.

MR. CHAIRMAN: It is not my observation. The Bill says so. It says the policy holders are not getting satisfactory service.

SHRI SHANTI BHATTACHARJEE:
I don't agree with that.

MR. CHAIRMAN: Do you know for what purpose the Era Sezhyan Committee was appointed?

Since you have not replied, I would like to tell you for what purpose it was appointed.

Both in Parliament as well as outside demands have been made for more economic management, better returns and improvement in the investment policy. Suggestions have also been made to the effect that the present organisational set up calls for a radical change for achieving the desired objectives. That was contained in the speech delivered by the then Prime Minister who was also Finance Minister, Shri Charan Singh. Have you read this statement?

SHRI SHANTI BHATTACHARJEE:
Yes.

MR. CHAIRMAN: Because of this purpose, the Era Sezhiyan Committee consisting of experts was set up. Can you tell me what was the finding of this Committee. The finding of this Committee was that in spite of growth in business, efforts, made for improving the service to the policy holder, and achieving economy in management, the LIC is not able to meet all its primary objectives. The Committee is convinced the present structure is the major factor in impeding the progress. Some of the major considerations led the Committee to arrive at the conclusion that it is desirable to split the Corporation into five separate Corporations.

You have done a hard work. I must appreciate your work. But I must try to understand when you had gone through the Era Sezhiyan Report, did you ever write an article or any memoranda either in a newspaper or to the Finance Minister?

SHRI SHANTI BHATTACHARJEE:
No.

To that committee we did not submit, but we submitted to the Finance Ministry a memorandum opposing the Bill.

MR. CHAIRMAN: One Act was passed in Parliament in 1981. Why was this Act introduced in Parliament?

SHRI SHANTI BHATTACHARJEE: Government wanted to assume some powers to change the conditions of service of employees unilaterally.

MR. CHAIRMAN: But that was challenged in the Supreme Court.

SHRI SHANTI BHATTACHARJEE: Yes.

MR. CHAIRMAN: What is the result? It was upheld that it was according to the Constitution. From the face I can say that you are very intelligent.

SHRI SHANTI BHATTACHARJEE: If you want me to answer 'Yes' or 'No' it is very difficult to express our view points.

MR. CHAIRMAN: I simply want to say that it is an Act.

SHRI SHANTI BHATTACHARJEE: Yes, it is an Act.

MR. CHAIRMAN: Now certain rules and regulations and bye-laws will be framed under this Act.

SHRI SHANTI BHATTACHARJEE: Will you give only one minute?

MR. CHAIRMAN: I will give you time. Simply I want to understand something from you. When did it come into force?

SHRI SHANTI BHATTACHARJEE: It was challenged.

MR. CHAIRMAN: But you lost the case. And now it is an Act. You abide by the judgment of the Supreme Court. You want to challenge it again?

SHRI SHANTI BHATTACHARJEE: Where? Again where will we go? Our failure does not mean that this Act is good.

MR. CHAIRMAN: I presume that this Act is good. The new Act which has been introduced on the basis of the Era Sezhiyan Committee's recommendations stipulates that certain rules, regulations and bye-laws will be framed. In your memorandum you have said that they will be framed by the Government unilaterally. No, it is not the Government which will frame.

SHRI SHANTI BHATTACHARJEE: Then why the Government has assumed this power?

MR. CHAIRMAN: When a law is passed, the rules, regulations and bye-laws which are to be framed under that Act

have to be within the scope of that Act. It cannot be against the spirit of that law. If you have got any grievance against those rules, regulations and bye-laws, you have again to put it in a memorandum to a particular committee. Then what rules and regulations do you oppose?

SHRI SHANTI BHATTACHARJEE: The Government seeks to assume arbitrary power to change our service conditions unilaterally. You know our right of collective bargaining has been taken away.

SHRI RANJIT GHOSH: You are trying to demolish what has been passed by the Parliament—that is the Industrial Disputes Act. You are demolishing one by one. In 1974, knowing full-well that some of the clauses of the Bill were against the workers, you incorporated them. What we want is that our rights should not be taken away one by one—those rights we got by making great sacrifices.

MR. CHAIRMAN: It is the Parliament which has passed. It is the supreme body in the country. I appreciate the spirit.

SHRI BHATTACHARJEE: You have not realised what you have done. What Parliament has done in taking away the democratic right of 50,000 LIC employees out of the purview of the Industrial Disputes Act which is contradictory to the judgement of the Supreme Court in Bangalore Water Supply Case (LIJ—1/1978)... I have got the copy of the judgement of the Supreme Court.

MR. CHAIRMAN: This Bill I—suppose you have gone through?

SHRI SHANTI BHATTACHARJEE: We have given our arguments against it. We have said where the Supreme Court has extended the Industrial Disputes Act. The Act is applicable to a tea garden employing 50 workers, but it is not applicable to 50,000 workers of the LIC. LIC employees are being taken away from the purview of the Industrial Disputes Act. You are referring to the interests of the Policy-holders. But the finding of the Era Sezhiyan Committee was that more than 84 per cent of the policy-holders were satisfied. You were just now quot-

ing from the report of the -Committee. But this also is there in it.

MR. CHAIRMAN: I have given you the final recommendation. You can quote from some other sentence.

SHRI SUNIL MAITRA: You have quoted what is convenient to you and Mr. Chairman quoted what is convenient to him.

MR. CHAIRMAN: I have quoted the final recommendation.

SHRI SHANTI BHATTACHARJEE: The Chairman of the Committee read out from the report of the earlier committee, and the Chairman asked me whether we have submitted any memorandum opposing the recommendation of the Era Sezhiyan Committee. Then please give me a chance to read out the recommendations of the other committees.

MR. CHAIRMAN: Your memorandum is very lengthy. I have gone through it. It is a 23-page memorandum. I appreciate the labour which you have put in.

SHRI SHANTI BHATTACHARJEE: It is our job.

MR. CHAIRMAN: You also say that you accept the five recommendations of the Committee. You are quoting the same book.

SHRI RANJIT GHOSH: The findings of the Committee are based on certain facts. That is my point.

MR. CHAIRMAN: The number of the policies has gone down in recent years; during 1982-83 it went up to 77.4 lakhs whereas in 1973-74 the increase was 11.51 per cent. Why has it gone down?

SHRI SHANTI BHATTACHARJEE: On what basis is the percentage calculated? If it is calculated for example on 1982-83 basis it is correct. I have read it. I also know to some extent how the LIC calculates the increase in business. Say, for example in 1981-82 the LIC sold 100 policies. In 1982-83 if 120 are sold, that means the number has increased by 20. Percentage of increase of 20 is calculated on the basis of the all-India performance. Before the nationalisation say in 1953 we have sold certain number of policies, and after the LIC of India came into operation from 1st September 1956, that is after working for 16 months from 1st September 1956

to 31st December, 1957, the percentage of increase has gone up. If today figures are calculated and compared to those obtaining then it is higher still.

MR. CHAIRMAN: Their working has been examined by so many committees of Parliament. You can go through the reports.

SHRI SHANTI BHATTACHARJEE: However, calculating by the percentages is only one method. There is another way of thinking.

MR. CHAIRMAN: You tell me one other way, how to achieve the objectives.

SHRI SHANTI BHATTACHARJEE: LIC today functions with great constraints. No other public sector undertaking works with so many constraints. Except a few they are all running into losses. LIC has saved crores of rupees in 1981-82, 1982-83. From this two years surplus the LIC has paid Rs. 39.15 crores to the Government. So had the LIC not functioned efficiently and properly this could not have been possible. For further advancement the LIC should be made free from interference by the Government.

MR. CHAIRMAN: With your unions you are working for the interests of the labour and for the country. How many times did you go on strike?

SHRI SHANTI BHATTACHARJEE: A number of times.

MR. CHAIRMAN: That has caused tremendous economic loss to the Government.

SHRI SHANTI BHATTACHARJEE: That is because of the Government's inefficiency and indifference.

SHRI RANJIT GHOSH: If you say that the number of working days in LIC is lost, that is not because of the employees.

MR. CHAIRMAN: I have gone through the report and I have seen what has happened. Is it not the fact that surpluses should occur? It is mentioned, "Under the regulated functioning of the nationalised LIC industry is it not inherent in the nature of the business that surpluses should occur?"

SHRI SHANTI BHATTACHARJEE: It cannot be automatic.

MR. CHAIRMAN: Now we have brought this Bill in order to curtail the expenditure.

SHRI SHANTI BHATTACHARJEE: It will increase the expenditure.

MR. CHAIRMAN: Several sections of Class III, and IV are also there. Can you give me the total emoluments which an LIC employee gets and a Central Government employee gets?

SHRI SHANTI BHATTACHARJEE: Why are you comparing us with the Central Government employees? Why not with the bank employees?

MR. CHAIRMAN: I know the motto of your union. Your employees are getting more than the Central Government employees.

SHRI SHANTI BHATTACHARJEE: They are getting more than the LIC employees.

MR. CHAIRMAN: Can you give me a statement by tomorrow?

SHRI SHANTI BHATTACHARJEE: Yes, we will try?

SHRI RAMESHWAR THAKUR: The entire genesis of the discussion seems to be that the whole drafting and sequence of the memorandum seems to be to oppose the Bill. I want to ask one or two questions about the performance of the LIC. About that you were good enough to quote certain facts and figures. I am quoting a report quoted by the Era Sezhiyan Committee out of many reports. One is on page 30 of the report, paragraph 6.26 of the Era Sezhiyan Committee. Table 6—9 has given figures about the performance of household savings going into the life insurance. The Committee observed that the percentage of household savings going into life insurance has fallen from 11 per cent in 1970-71 to 7.4 per cent in 1976-77. Secondly by giving the data on page 3 we have tried to compare what was done in 1957 and in 1983. But we have not compared the population in 1957 and 83. So, what I am saying is that the desired performance is not upto the mark.

SHRI SHANTI BHATTACHARJEE: The LIC has been functioning with great constraints. One constraint is that the Government has not allowed LIC to invest its funds at the higher rate of interest

like others in public sector areas. Another constraint is that the Government takes away a high percentage of its surpluses. To further the interest of the policy-holders, 87.5 per cent of surplus should be allocated, according to Era Sezhiyan Committee recommendation to the policy-holders.

SHRI RAMESHWAR THAKUR: The second assumption in the report is about complaints from the policy-holders. You have submitted the data from 1983. Kindly come to page 40 of the report, paragraph 7.2. This paragraph makes it very clear that during the last 20 years of LIC's existence the number of policies has gone considerably up and the service to policy-holders has suffered. Adverse comments in the press about that has become common. In the public hearings that the Committee held, a majority of the persons who appeared before the Committee had expressed similar views.

SHRI SHANTI BHATTACHARJEE: About the complaints during 1982-83 I have quoted the report of the Chairman of LIC.

MR. CHAIRMAN: You are supposed to answer the question put by the hon. Member.

SHRI SHANTI BHATTACHARJEE: They are incorporated in the Report itself.

MR. CHAIRMAN: Do you agree with these findings?

SHRI SHANTI BHATTACHARJEE: It says 9,700 complaints were received by the Central Office.

SHRI RAMESHWAR THAKUR: On the same point, please go to page 44. In clause 7.23 in the latter page after the Table, seven to nine conclusions are drawn by the Committee itself. "However, as seen from the Report and Accounts for 1978-79, the percentage of outstanding claims to claims intimated is 17 per cent, thus showing an upward trend again. There are also many specific areas where there is not only scope, but also need for improvement. In the Survey on the opinion of the policy-holders conducted by the Committee, nearly 30 per cent of the policy-holders responding had stated that there were inordinate delays in settlement of maturity claims as well as settle-

ment of claims under anticipated endowment policies; and analysis of complaints received by the LIC also showed a very large portion of delay related to settlement of claims." What have you to say on this?

SHRI SHANTI BHATTACHARJEE: We do not agree with that.

SHRI RAMESWAR THAKUR: In regard to the rural business as well as competition you have quoted in your Memorandum Shri C. Subramaniam for the extension of business and Shri C. D. Deshmukh in regard to competition. Now, in regard to all the areas, if you examine the report, you will find in spite of the fact that Shri Subramaniam had said in 1956 that its activity had not reached to the extent it should have been reached. In regard to competition also definitely there is bound to be more competition. Now in regard to investment you have taken return part, but not the other part of the social objectives of the LIC for making investment into different segments of the State Government as per the decision of the Planning Commission. Do you think that regional imbalance should be met by making one corporation or that it could be further improved by having different corporations as is done in other sectors, including the banking sector?

SHRI SHANTI BHATTACHARJEE: He has asked so many questions. We have our reply. We want to give it.

श्री राम लाल राही : जिस तरह आपने चेयरमन साहब और ठाकुर साहब के प्रश्नों का पूरी संतुष्टि के साथ उत्तर दिया उसी तरह क्या आप स्पष्ट कर सकेंगे कि लाइफ इन्श्योरेंस कॉर्पोरेशन के राष्ट्रीयकरण के बाद उस गति और तीव्रता के साथ काम नहीं हो सका, जिस गति और तीव्रता के साथ परिवार नियोजन और अल्प-व्यय जैसे कार्यक्रमों का देश में तेजी से विस्तार हुआ। सरकार ने इन कार्यक्रमों के प्रचार व प्रसार हेतु काफी धन का प्रावधान किया तथा संचार साधनों को जुटाया, यही कारण है कि ग्रामीण क्षेत्रों और दूरदराज के इलाकों तक परिवार नियोजन और अल्प-व्यय का प्रसार-प्रचार हुआ और लोगों ने इसे

स्वेच्छा से अपनाया। यहां तक कि ग्राम गांव में रहने वाले लोग परिवार नियोजन की विशेषताओं को अच्छी तरह पहचान गए हैं, जब कि पहले वे इसके लिए तैयार ही नहीं होते थे। क्या आप समझते हैं कि इसी प्रकार यदि लाइफ इन्श्योरेंस कॉर्पोरेशन के सम्बन्ध में रेडियो, टेलीविजन या समाचारपत्रों के या दूसरे सरकारी संचार माध्यमों के जरिए प्रचार किया गया होता तो ग्रामीण इलाकों के लोग ज्यादा संख्या में पोलिसी होल्डर बन गए होते तथा यह कार्यक्रम देश में ज्यादा लोकप्रियता प्राप्त कर पाता।

श्री शान्ति भट्टाचार्य : आप ठीक कहते हैं।

श्री राम लाल राही : इसका अर्थ यह हुआ कि यदि सरकार पुराने एल आई सी अधिनियम में ही कुछ संशोधन कर दे तथा उसमें ऐसा प्रावधान कर दे कि इसकी ब्रान्चेज ग्रामीण इलाकों में खोली जाएं, ज्यादा से ज्यादा रूरल एरियाज में प्रचार हो, सरकारी संचार साधनों, रेडियो, टेलीविजन तथा समाचार पत्रों के माध्यम से एल आई सी की प्रच्छाद्यों से अवगत कराया जाए तो क्या लोगों को एल आई सी की पोलिसीज लेने के लिए, आपके विचार से, ज्यादा प्रेरित किया जा सकता है और इससे ज्यादा सादाद में लोग लाभ उठा सकते हैं।

श्री शान्ति भट्टाचार्य : यदि सरकार पुराने लाइफ इन्श्योरेंस कॉर्पोरेशन एक्ट में अमेंडमेंट कर देती है, एल आई सी को इन्डीपेंडेंस दे देती है कि वह जिस तरह चाहे ग्रामीण इलाकों में प्रचार-प्रसार करे, तो आज जिस तरह लगभग 30 प्रतिशत तक हमारा रूरल बिजनेस हो सका है, निश्चित रूप में, उसका प्रतिशत पहले से ज्यादा हो जाएगा, लोग ज्यादा संख्या में इन्श्योरेंस को अपनायेंगे, रूरल बिजनेस ज्यादा हो सकेगा, ज्यादा रिटर्न आयेंगे और इस तरह एल आई सी को ज्यादा मुनाफा मिलेगा।

श्री राम लाल राही : वर्तमान अधिनियम के लागू रहते जैसा आप भी जानते होंगे, देश के लगभग 55 डिस्ट्रिक्ट हेड-क्वार्टर्स ऐसे हैं, जहाँ एल आई सी की कोई ब्रान्च अब तक नहीं खोली जा सकी क्या आप समझते हैं कि सरकार एल आई सी को पांच भागों में विभक्त करने पर जो पैसा खर्च करने जा रही है, यदि वही पैसा वर्तमान अधिनियम के लागू रहते, ग्रामीण इलाकों में नई ब्रान्चेज खोलने पर खर्च कर दिया जाए तो उससे अधिक लाभ होने की आशा है, ग्रामीण इलाकों तक एल आई सी का प्रसार अच्छी तरह किया जा सकता है।

श्री शान्ति भट्टाचार्य : हमारे केन्द्रीय वित्त मंत्री श्री प्रणब मुखर्जी साहब ने लगभग एक महीना पहले कलकत्ता में स्पीच देते हुए कहा था कि नेशनलाइज्ड बैंक्स की लगभग एक हजार नई शाखाएं ग्रामीण इलाकों में खोली जाएंगी और यह कार्य 1984-85 के मार्च तक कर लिया जाएगा। जब कि हमारी एल आई सी की 1956 से अब तक ग्रामीण इलाकों में कोई ब्रान्च नहीं खोली जा सकी है। यदि सरकार दृढ़-निश्चय करके घोषणा कर दे कि एल आई सी की नई ब्रान्चेज रूरल एरियाज में खोली जाएंगी तो निश्चित तौर पर उससे लाभ होगा। यदि उसमें एक-दो साल तक घाटा भी हो तो उसको सरकार पूरा करने का वचन दे, तभी इस काम में प्रोत्साहन मिलेगा। यदि 1956 से ही इस तरह की पॉलिसी अपनाई गई होती तो आज का नक्शा ही कुछ दूसरा होता। जिस तरह बैंकों की नई शाखाओं को खोलने पर कुछ समय के लिए नुकसान होता है, उसी तरह की परिस्थितियाँ इस में भी आयेंगी, लेकिन सरकार को उस नुकसान को मीट-विद करना चाहिए।

श्री राम लाल राही : मैंने जो सवाल किया था, उसका एक भाग उत्तर आने से रह गया। फाइनेंस मिनिस्टर साहब या मंत्रालय को क्या करना चाहिए, उससे मेरा मतलब नहीं है। मैं जानना चाहता हूँ कि यदि इस बिल के पास हो जाने पर एल आई सी को पांच भागों में विभक्त कर दिया जाता है तो इसमें पांच अलग अलग बोर्ड बनेंगे, उनके ग्रोफि-सोज बनेंगे, स्टाफ होगा और इन सब कामों पर गवर्नमेंट कुछ धन खर्च करेगी। क्या आप समझते हैं कि इसको विभक्त करने पर सरकार जो धन खर्च करने जा रही है, यदि वही धन बिना विभक्त किये वर्तमान अधिनियम में संशोधन लाकर एल आई सी की नई ब्रान्चेज रूरल एरियाज में खोलने पर खर्च कर दिया जाये तो अधिक लाभ होने की संभावना है।

श्री शान्ति भट्टाचार्य : हाँ, इससे लाभ होने की संभावना है।

श्री राम लाल राही : आप यह भी मानते हैं कि यदि रेडियो, टेलीविजन या समाचार पत्रों आदि के माध्यम से ग्रामीण जनता में प्रचार किया जाये तो उससे अधिक लाभ हो सकता है, भले ही वह प्रचार प्रतिदिन एक घण्टे या हफ्ते में कुछ समय के लिये ही हो।

श्री शान्ति भट्टाचार्य : जी हाँ।

SHRI L. K. ADVANI: You said the LIC is now more or less a Department of the Finance Ministry. I would like you to first elaborate and convince us how practically this has happened. It is from this point of view what would be the impact of this split up—if this law is enacted and the corporation split into five

zonal corporations? What will be the possible equations between the Zonal Corporations and the Ministry?

SHRI SHANTI BHATTACHARJEE: As far as we can understand from the Bill all powers are vested in the Government.

SHRI L. K. ADVANI: I am not aware of your memorandum. To-day the LIC Board has no Chairman.

SHRI SHANTI BHATTACHARJEE: For the last 2 years. Not only the Chairman, the LIC board is to consist of 15 members, but it has perhaps only 6 members. There is nobody to look after the LIC except the Government.

SHRI L. K. ADVANI: Do you think that this situation is likely to be accentuated and aggravated if there are five corporations or would the situation improve?

SHRI SHANTI BHATTACHARJEE: Surely it would aggravate when life insurance was nationalised, it was agreed that it will function as an autonomous corporation. That autonomy should be restored and the Government should not interfere. Now it is almost a department of the Finance Ministry.

SHRI L. K. ADVANI: You seem to be concentrating on criticising the Bill and criticising the proposed split up. Why don't you say something to remedy the present situation by insisting upon the autonomy and changes in the present LIC Bill itself which would remove the control the Government exercise to-day and ensure that the LIC does become really an autonomous body. I have heard all those who are opposed to the Bill. I am not in a mood to suggest that the Government control of the body should be lessened.

And they are not certainly in a mood to suggest any particular recommendation in the LIC Bill to ensure that the Government does not control. The problem really arises when the decentralisation comes up; the issue is centralisation of powers and authorities versus decentralisation. The issue is not splitting a monolithic body.

SHRI SHANTI BHATTACHARJEE: In 1956 the Life Insurance Corporation was created in the public sector and now it has become a department of the Finance Ministry.

SHRI L. K. ADVANI: It is true of the public sector undertakings.

SHRI SHANTI BHATTACHARJEE: Decentralisation is the only remedy to improve the situation further.

SHRI RANJIT GHOSE: It is on record that our organisation is on record, it has submitted a memorandum to the select committee following the nationalisation of life insurance in 1956 and the main contention of it was decentralisation of the functioning of the LIC. This is on record.

SHRI SUNIL MAITRA: In which year did you submit that memorandum to the Select Committee?

SHRI RANJIT GHOSE: In 1956.

MR. CHAIRMAN: You please find out and give us a copy.

SHRI VITHALRAO MADHAVRAO JADHAV: You have said that you are totally opposed to this Bill. Are you opposing for the sake of opposition or on certain principles only?

SHRI RANJIT GHOSE: We oppose on certain principles.

SHRI VITHALRAO MADHAVRAO JADHAV: What are your main principles?

SHRI RANJIT GHOSE: It will bring no advantage to the policy holders. It will create more problems.

SHRI VITHALRAO MADHAVRAO JADHAV: How many employees are there in the LIC in the country?

SHRI RANJIT GHOSE: About 48297.

SHRI VITHALRAO MADHAVRAO JADHAV: Do you think that the work done by the LIC is negligible? Who is responsible for this?

SHRI RANJIT GHOSE: The Government policy is responsible for this.

SHRI VITHALRAO MADHAVRAO JADHAV: The Government feels that by this splitting the LIC will be able to go to the rural areas.

SHRI RANJIT GHOSE: Long back, the hon. Finance Minister Shri Pranab Mukherjee made a speech that the nationalised banks will open another 10,000 branches during this year. As far as LIC is concerned, is there any move for opening of any new branches? If a nationalised bank opens a branch in a non-banking area there will be loss in the opening years and such loss for 2/3 years should be adjusted against the profit transferrable to the Government.

SHRI VITHALRAO MADHAVRAO JADHAV: Do you feel that in the present organisation of the LIC as it is today, it is possible to go to the rural areas?

SHRI RANJIT GHOSE: Yes.

SHRI VITHALRAO MADHAVRAO JADHAV: For the last 25 years it has not become possible. How will it become possible now?

SHRI RANJIT GHOSE: Because there was Government interference.

SHRI VITHALRAO MADHAVRAO JADHAV: I say that this Government will achieve this. It is not a question of the impression of the employees who are working in the LIC. It is the question of the impression of the people who have to get the benefit. We should rectify the mistakes. I have heard that the split is going to protect the interests of the employees. Will it not be useful if it enables the LIC to go to the rural areas?

SHRI RANJIT GHOSE: To protect the interests of the employees, to protect the interests of the people, and the industry, the split is not necessary. We are not opposing from the point of view of the interests of the employees alone but also from the national point of view. We are opposing from the point of view of the wider interests of the people themselves.

SHRI B. RAJA MOHAN MOHANTY: You have very seriously reacted to Clause 64 of the Bill and according to you it seeks to extinguish the political rights of the LIC employees. Will you kindly enlighten me what you mean by political rights? You have particularly mentioned in your memorandum, association with political parties. That is one.

MR. CHAIRMAN: They have opposed it *in toto*.

SHRI BRAJA MOHAN MOHANTY: I am not interested in the class differences. The problem is, whether political rights include association with political parties, including the enrolment of membership, holding of meetings, plus canvassing in election and all the other rights. What else does it mean?

SHRI SHANTI BHATTACHARJEE: In the Bill if you see Clause 64(2) on page 26, it says, "If any question arises whether a party is a political party or whether any organisation takes part in politics or whether any movement or activity falls within the scope of subsection (1), the decision of the Central Government shall be final."

SHRI BRAJA MOHAN MOHANTY: My question is whether by the political rights you mean the association and enrolment in a new political party.

SHRI SHANTI BHATTACHARJEE: Yes.

SHRI BRAJA MOHAN MOHANTY: So far as canvassing for any political party is concerned, it is one thing and taking part in elections is another.

SHRI SHANTI BHATTACHARJEE: Yes.

SHRI SUNIL MAITRA: Do you not want to be a member of a political party? He wants to know if you want to be associated with political parties. Say yes or no.

SHRI SHANTI BHATTACHARJEE: Yes.

SHRI BRAJA MOHAN MOHANTY: Do you advise that the managerial cadre of the LIC should have the political rights of this nature, namely, enrolment in political parties, and taking part in their activities?

SHRI RANJIT GHOSE: What is wrong in it? They can have it.

SHRI BRAJA MOHAN MOHANTY: Do you want that the Government employees should have this right including Police and Army?

SHRI SHANTI BHATTACHARJEE: Yes.

SHRI SUNIL MAITRA: Ours is a democratic country. Parliament passes certain Bills and they become Acts. If the Acts are challenged in the Supreme Court and the Supreme Court upheld those Acts, do the people of the country not have the right to dissent?

SHRI SHANTI BHATTACHARJEE: They do have.

SHRI SUNIL MAITRA: Your emoluments compared to Government employees are higher. Is there any contradiction between your demanding more emoluments and a big percentage of the population living below the poverty line?

SHRI SHANTI BHATTACHARJEE: No.

SHRI SUNIL MAITRA: I am a Member of Parliament. I am getting Rs. 5000/- a month. Is there any contradiction between my getting more emoluments and 50 per cent of the people living below the poverty line?

SHRI SHANTI BHATTACHARJEE: No.

SHRI SUNIL MAITRA: Again and again Era Sezhiyan Committee report and other reports are referred to. The statement of the Objects of the Bill says that since nationalisation of the LIC has a fairly impressive record of expanding insurance service to the community. Does this statement indicate that LIC's performance has been a failure?

SHRI SHANTI BHATTACHARJEE: Not at all.

SHRI SUNIL MAITRA: The Bill envisages five corporations. The headquarters of the Eastern Corporation would be in Calcutta. As it stands today, the earning from this sector is comparatively poor. According to the Sixth Five Year Plan the maximum number of economically weaker sections of the people live in this sector. When the question of investment comes, Orissa is having the largest number of people. The demand of Orissa for investment as also of other States will be more. If the corporation itself is backward, will not the conditions of these States still be worse?

SHRI SHANTI BHATTACHARJEE: Yes.

SHRI SUNIL MAITRA: The maximum emphasis is on splitting the LIC because LIC has not been able to spread the message of life insurance to rural areas. Is it a fact that for spreading the life insurance business to rural areas some kind of a propaganda is necessary in these areas and that is possible only through agents and development officers?

SHRI SHANTI BHATTACHARJEE: Yes.

SHRI SUNIL MAITRA: Under the existing guidelines laid down the development officers and agents have to fulfil certain criteria and in order to fulfil those criteria, they have been concentrating in urban areas and do not want to go to rural areas.

SHRI SHANTI BHATTACHARJEE: Yes.

SHRI SUNIL MAITRA: If this criteria continues even after splitting up the corporation, will the objectives of the LIC be achieved? Otherwise, if the criteria is changed will the objective not be achieved even without splitting up the corporation?

SHRI SHANTI BHATTACHARJEE: Yes.

SHRI SATISH AGARWAL: Unless a sincere thrust is given by the management and the Government to take the business to rural areas, the objective of the Bill will not be achieved.

SHRI SHANTI BHATTACHARJEE:
Yes.

SHRI SATISH AGARWAL: In order to defeat the forces of regionalism, parochialism it is very very essential that the unitary character of the LIC is maintained and those who are supporting this split up they are suffering from some sort of a psychosis of regionalism and parochialism.

SHRI SHANTI BHATTACHARJEE:
We agree with you completely.

SHRI SUKOMAL SEN: I take the clue from what Mr. Advani has said about the autonomy of the LIC. The Era Sezhiyan Committee was appointed to see how to improve the work of the LIC and suggest remedies. Do you know the post of the Chairman of LIC is vacant?

SHRI SHANTI BHATTACHARJEE:
Yes.

MR. CHAIRMAN: Chairman is acting with all powers.

SHRI H. M. S. BHATNAGAR, ADDITIONAL SECRETARY (FINANCE MINISTRY): The present Acting Chairman has got all the powers of the Chairman.

SHRI LAL K. ADVANI: Suppose, Shri Daga is absent and the Committee wants me to function as Chairman of the Committee, still I am not actually the Chairman of the Committee. Similarly an Acting Chairman of the LIC is a certain official who has been appointed as Chairman, but he is not the Chairman? So, the factual position is that there is no Chairman at the moment.

SHRI SATISH AGARWAL: It is only an ad hoc arrangement.

SHRI H. M. S. BHATNAGAR, ADDITIONAL SECRETARY (FINANCE MINISTRY): There is no Chairman as such, but there is a current in charge and Managing Director. He has been entrusted with all the powers of the Chairman by the LIC Board. He is the Chairman of the Board and he observes all the

powers. So, the mere fact that there is no Chairman, but there is current in charge does not make any difference in the functioning of the LIC.

SHRI LAL K. ADVANI: There are so many undertakings in the country, which do not have Chairman, but they are functioning.

SHRI SATISH AGARWAL: Mr. Charan Singh was Prime Minister for six months, but he did not enjoy all the powers which Mrs. Gandhi is enjoying.

SHRI SUKOMAL SEN: In view of the fact that the LIC does not have a Chairman and that out of 15 Members of the Corporation, there are only six Members, I would like to know whether the growth of the LIC is being hampered due to the present conditions of the Corporation?

SHRI SHANTI BHATTACHARJEE:
It is one of the reasons.

SHRI SUKOMAL SEN: If the LIC is divided into five Departments and then introducing certain conditions like Wage Tribunal, Service Tribunal and other tribunals, don't you feel that high courts will also be converted into other departments?

SHRI SHANTI BHATTACHARJEE:
Yes, they will.

SHRI SUKOMAL SEN: If this is the fate of the LIC, do you feel that growth of the LIC in this manner will be hampered.

SHRI SHANTI BHATTACHARJEE:
Yes, it will be hampered.

SHRI SUKOMAL SEN: I want to know whether in our country with the present socio-economic conditions of the rural people, particularly when above 50 per cent of the people are below the poverty line, the desired growth of the LIC can be achieved?

SHRI SHANTI BHATTACHARJEE:
It is impossible to have it within the existing social and economic conditions.

SHRI SUKOMAL SEN: So you say that the Bill does not do proper justice

and social objectives and other vital aspect have been ignored by the Bill?

SHRI SHANTI BHATTACHARJEE: Perhaps the Government has not considered it in all its aspects.

MR. CHAIRMAN: The Government can give certain directives. Do you know? The first direction was issued in 1968.

SHRI SHANTI BHATTACHARJEE: How are we supposed to know?

MR. CHAIRMAN: Now you say that it will become a Department of the Government. How do you justify this statement?

SHRI SHANTI BHATTACHARJEE: The powers of the Corporation have been curtailed by the Act.

MR. CHAIRMAN: How? Can you give me one direction issued by the Government where you say that it has become a Department of the Government? You know there is an Act—Insurance Corporation Act. Under that Act they are functioning. Every work is done under that Act. Then how does it become a Government Department?

SHRI SHANTI BHATTACHARJEE: Do you want examples? I can give umpteen number of examples.

MR. CHAIRMAN: Any direction or any circular issued by the Government you give me.

SHRI SHANTI BHATTACHARJEE: How do they come to us?

MR. CHAIRMAN: If you have any circular or directions. Otherwise, you should not say that. If they have acted against that Act, have you challenged it in any court?

SHRI SHANTI BHATTACHARJEE: No.

MR. CHAIRMAN: Thank you very much.

(The witnesses then withdrew)

The Committee then adjourned and reassembled at 15.00 hours.

III. Jatiya Jiban Bima Karamchari Samiti
(Purabanchal-127/M/3, Manichhala Main Road, Calcutta-700054)

Spokesmen:

1. Shri K. P. Chakraborty, General Secretary,
2. Shri Bibhuti Bhusan Das,
3. Shri Bibhuti Bhusan Basu,
4. Shri Santosh Kumar Mukherjee,

(The witnesses were called in and they took their seats)

MR. CHAIRMAN: Before you start your evidence I would like to make it clear that your evidence shall be treated as public and is liable to be published, unless you specifically desire that all or any part of your evidence given by you should be treated as confidential. Further, I may also explain to you that even though you may desire your evidence to be treated as confidential, such evidence is liable to be made available to the Members of Parliament.

Now, you have gone through the Bill. You have read the objects and principles of the Bill.

SHRI K. P. CHAKRABORTY: Yes.

MR. CHAIRMAN: Have you got any suggestions to make so far as the clauses of this Bill are concerned?

SHRI K. P. CHAKRABORTY: Not at this stage.

MR. CHAIRMAN: Do you want to say anything over and above what you have mentioned in the memorandum?

SHRI K. P. CHAKRABORTY: We have already given our views.

MR. CHAIRMAN: That is true. You have given it taking lot of trouble explaining all the aspects. The Committee will give a serious thought to it. If you want to say anything over and above what is mentioned in the memorandum you may say it.

SHRI K. P. CHAKRABORTY: We share the views mentioned in the statement of our hon. Finance Minister.

while moving the Life Insurance Corporation Bill, 1983. I feel that the LIC has become too large and unwieldy; with the result that the efficiency of the management and supervision and control have been suffering. In order to increase its efficiency and in order to strengthen the industry's ability to face the challenge of the future the Government should not hesitate to re-structure the LIC in the interests of the industry.

MR. CHAIRMAN: You must have gone through the Era Sezhiyan Committee report.

SHRI K. P. CHAKRABORTY: Yes.

MR. CHAIRMAN: You also agree with it.

SHRI K. P. CHAKRABORTY: In the report there is mention about competition faced in the industry. Here there is no competition now. Competition is important for operational efficiency in the industry.

MR. CHAIRMAN: An Act was passed in 1981 for this very purpose. It was challenged by certain trade union and the Supreme Court had upheld that Act. Are you aware of it?

SHRI K. P. CHAKRABORTY: Yes.

MR. CHAIRMAN: What are the reasons for the poor service to the policyholders and the business not spreading into rural areas?

SHRI K. P. CHAKRABORTY: The main objective of nationalisation of insurance companies was to channelise public savings more effectively and to take the message of life insurance to every corner of the country. But I am sorry to state that the present Corporation could not achieve the desired objectives which were expressed by the then Finance Minister, Shri Deshmukh.

MR. CHAIRMAN: I find that certain number of employees are not working satisfactorily. Is it the main cause for not fulfilling the objective?

SHRI K. P. CHAKRABORTY: If the structure of the Corporation is divided into viable units, then we feel that it will serve the purpose.

MR. CHAIRMAN: Do you agree with the Service Matters Tribunal?

SHRI K. P. CHAKRABORTY: Yes. We feel that this Service Matters Tribunal will be more beneficial to the employees because the time taken will be less and it will be less costly. At present, there is delay in all matters. Now, when the employees go to the Labour Commissioner, it is the discretion of the Labour commissioner to call the management and the employees for conciliation and if the conciliation fails, then the matters is referred to Delhi. But in the Service Matters Tribunal we feel that every employee will have the opportunity to approach the Tribunal more easily and with less cost.

I want to give a specific case of one of the employees in the Calcutta Zone. He was charge-sheeted in 1964 and till today that case is going on in the High Court. We do not know whether the judgement will come during his service period or after his death. This is the position at present. So in many matters, the employees are suffering and we feel that the composition of the Service Matters Tribunal is a welcome step. We feel that it is easily approachable to the employees and will be less time consuming and less costly.

MR. CHAIRMAN: Since when your Samiti is working?

SHRI K. P. CHAKRABORTY: Since 1960.

MR. CHAIRMAN: What is the membership?

SHRI K. P. CHAKRABORTY: More than 2200.

SHRI L. K. ADVANI: When you say that there is a general tendency in the life insurance to concentrate in urban areas neglecting the rural part, is that true in the eastern zone also?

SHRI K. P. CHAKRABORTY: Yes. Even in the eastern zone the message of life insurance has not been reached to the rural areas.

SHRI L. K. ADVANI: Would introduction of competition remedy the situation?

SHRI K. P. CHAKRABORTY: I think so.

SHRI L. K. ADVANI: Today in the eastern zone, it is responsible for expanding the business in this region. Tomorrow the western zone can have a branch there. If competition is to be encouraged, it is conceived that the zonal corporations will have branches elsewhere also and tomorrow if the western zone opens a branch in Calcutta, what would be its impact on this eastern zone corporation? There is no option. After all Calcutta can provide more resources than the rural areas can. Therefore, when Bombay opens a branch, then per force the Eastern zone would also have to concentrate on Calcutta and the business of the LIC which should be in the far off areas will be neglected.

SHRI K. P. CHAKRABORTY: I don't agree with that. The objective of the nationalisation is to take the message of life insurance to the rural areas where 80 per cent of the population resides. Their savings can be tapped by LIC. If there is bifurcation of the LIC, it would be possible by recruiting more educated unemployed youths in the rural areas and by giving training to them this new Corporation of the Eastern region will have the opportunity to bring this untapped business which is still untouched by the LIC at present.

SHRI LAL K. ADVANI: Because you stressed the aspect of competition, therefore, I am putting this question. To day it is the duty of the LIC to see that its message spreads to the countryside but it does not do so. What I am trying to point out to you is that if it does not do so, it is because of various other factors which have nothing to do with competition. The moment you bring in competition this tendency will accentuate.

SHRI K. P. CHAKRABORTY: It is our experience that with the monolithic

nature of the LIC this tendency has grown. Even in the GIC there are five companies and when they are successful within the competition there, why will not LIC also be successful. Our experience shows competition will be helpful in tapping the rural resources. Actually those who are sitting in Bombay, they do not know the areas where this business can be procured. But the Eastern zone people do know the places where they can go and tap the business and where the development can be made. I am sorry to say here I know even when our Eastern Zonal Manager approaches the Central Office for opening a Branch in rural areas, it was denied because they do not know the conditions obtaining there. They have to depend upon the big business of the urban areas.

SHRI LAL K. ADVANI: My question is, will competition bring in more business?

SHRI K. P. CHAKRABORTY: Yes, it will bring better services as well.

SHRI K. A. RAJAN: To which area your Membership is confined?

SHRI K. P. CHAKRABORTY: It is in the Eastern Zone—Assam, Bihar, West Bengal, Manipur, Arunachal Pradesh. It is like our zonal set up.

SHRI K. A. RANJAN: In your Memorandum, last sentence, you have stated that the Government has given clearance that it is up to the employees of the new Corporation to negotiate for wage settlement. Is there any provision of it in the Bill and with whom will be employees negotiate?

SHRI K. P. CHAKRABORTY: It is not in the Bill.

SHRI RAMESHWAR THAKUR: In your memorandum, you have pointed out that the Government has brought forward this Bill to meet the objectives. You have given some grounds. I would like to know whether the decentralisation of the Corporation into five Corporation will help the business of the Corporation? Secondly whether it will enable us to go to the rural areas in a bigger way than

what we have been able to do in the past. Thirdly, I would like to know whether the competition will be of healthy nature even if branches of the new corporations are opened in the zonal capitals?

SHRI K. P. CHAKRABORTY: The proposed corporation will be in the field of healthy competition. A spirit of healthy competition will itself impart a greater dynamism and it is in the nature of law that competition can bring in dynamism. In insurance industry there are agents, staff and policy-holders. They are the back-bone of the industry. So the main objective is to take life insurance message to the rural areas and that has not been achieved even after 28 years of nationalisation. And we feel that the new Corporations will strive to harness all the untapped business which is hidden in the rural areas.

SHRI RAMESHWAR THAKUR: You have said in your memorandum that the main objections to this Bill are (1) the bargaining capacity and (2) service matters tribunals. Now according to your assessment is it a fact that you feel that the right of collective bargaining to a reasonable extent is must for any successful organisation? Do you say with all the responsibility and taking the interests of the labour, employees and officers into account that this would be more helpful to them? They can still continue to have the bargaining capacity in spite of 5 corporations.

SHRI K. P. CHAKRABORTY: This we have seen in other industries also like coal and banks. There is bargaining capacity. There, from A to Z it is being approved by the Government. Government never disapproves any settlement. We have seen also recently that there are some settlements in steel and coal. That has been endorsed by the Government.

SHRI RAMESHWAR THAKUR: You have said in your memorandum that if an employee is aggrieved today he can go for conciliation. He can again go to the workers Tribunals and some say that it is a long protracted affair. What is your experience? Do you think that this Tri-

bunal will help arriving at settlements more speedily?

SHRI K. P. CHAKRABORTY: We know it will lead to settlements more speedily.

SHRI RAMESHWAR THAKUR: In page 3 you have said that the proposed Bill will not only go against the interests of the policy-holders but it possibly helps guard the interests of policy-holders in a better way. How do you support this?

SHRI K. P. CHAKRABORTY: In our present system, if there is any dispute regarding maturity death claims, after the Senior Regional Manager, there is no other alternative left except to approach the Claims Committees at Bombay—that is the Central Office. You can imagine how much difficulty will a widow have, hard-pressed for money? It becomes difficult to communicate and to have personal contact with the Central Office at Bombay and when the Review Committee turns it down, they have got no other alternative except to approach the court. You know that is also a very time-consuming process and the Claims Tribunals will go a long way in alleviating the difficulty of the policy-holders.

SHRI RAMESHWAR THAKUR: Now with regard to business potential in rural areas do you think there is enough scope in the States of the Eastern Region like Tripura, Meghalaya, Mizoram, Nagaland, etc.? Do you also think that a separate corporation will be viable in these areas?

SHRI K. P. CHAKRABORTY: Now if we want to have more branches in rural areas we have to approach the Central Office. It is at the sweet will of the Central Office. Regarding viability, I think it can be viable; when this untapped business of the rural areas is mopped up it will be naturally resourceful and viable.

SHRI RAMESHWAR THAKUR: About the regional imbalance in the eastern region, do you think this split and having a corporation exclusively for the eastern region will help in removing the regional imbalance?

SHRI K. P. CHAKRABORTY: It will help it. These corporations will

have their own investment committees. At present, the investment is being managed by the Central Office. It is in the hands of the big officers in the Central Office. Whatever they invest, they never go to the backward areas. It is the policy of nationalisation that the LIC should invest in the backward areas.

SHRI SUNIL MAITRA: Now, under the existing law the Government of India has got the power to give any directive which the Government thinks, fit, in writing to the LIC. The Government enjoys the power to send any directive it likes. Are you aware of it?

MR. CHAIRMAN: That directive can be on policy matters.

SHRI SUNIL MAITRA: On any matter it can be done.

MR. CHAIRMAN: On policy matters it can be done.

SHRI SUNIL MAITRA: If such powers are enjoyed by the Central Government, how is it that the Government of India did not direct the LIC to invest money in backward areas?

SHRI K. P. CHAKRABORTY: Even if a directive is given, we do not know whether there is an official directive. Our experience is that no directive was given to the LIC.

SHRI SUNIL MAITRA: Now, if there are five corporations what is the guarantee that the Government can continue to give the directives? During the last 30 years this has happened.

SHRI K. P. CHAKRABORTY: If there are five corporations they have got their own investment decisions and it is within the knowledge of the local management to know who are the weaker sections and whether the investment can be made. If there is a directive, and if there is competition, they will have to see how their own corporation can be more resourceful through their investment and naturally there is bound to be competition.

SHRI SUNIL MAITRA: There will be a Board of these Corporations, and

investment will be in the hands of the Board.

SHRI H.M.S. BHATNAGAR, Additional Secretary (Ministry of Finance): Investment pattern will be decided by the Government under the policy issues. The investment of funds will be decided by the Government and not exactly by the LIC Corporation.

SHRI SUNIL MAITRA: That is exactly what I say. The investment pattern will be with the Government. The new Corporations will not have powers. The position will remain the same. Even from the point of investment how does it help even if you have five corporations? How can you say that there will be investment even in the backward areas?

SHRI H. M. S. BHATNAGAR, additional Secretary (Ministry of Finance): Investment of the LIC funds will be decided by the Central Government. Instructions have been given under the LIC Act. There is no intention to change the pattern even in future.

SHRI SUNIL MAITRA: That is also my point. If today no investment has been made as you allege, in the backward areas it is because the directive directs it so. This should always be considered in terms of economic viability within the framework of the restrictions on the investment as imposed by the Government. For example, now roughly only 14 to 15 per cent of investment goes to the private sector and the rest is in Government securities, public sector, or some socially purposeful thing. If round about 85 to 86 per cent is the investment either in Government securities or socially purposeful investment like improving the weaker sections and so on and so forth, do you not think that it will also help the weaker sections?

SHRI K. P. CHAKRABORTY: There is a directive from the Government. The Government has directed to implement our beloved Prime Minister's 20-Point programme, so that every benefit should go to the remotest area or undeveloped area. So, it is not correct to say that the Government has got no right. Actually it is not being implemented.

SHRI SUNIL MAITRA: If LIC is regarded as the trustee of the policy holders can the LIC go on invest in such places where adequate returns do not come and when 85 per cent is invested with less return as per the Government directive? Can the Government do this?

SHRI K. P. CHAKRABORTY: It is a socially oriented programme. If you are thinking that it is a private earning concern what you say may be correct. It is a socially oriented programme for the upliftment of the backward areas.

SHRI SUNIL MAITRA: Even in the Bill it is not said so. However much you talk about the Prime Minister's 20-Point Programme and other programmes even in the new Bill, you see Clause 9(4) on page 6. Also see sub-clause (3). 9(3) "In the discharge of any of its functions, each Corporation shall act, so far as may be, on business principles." Therefore, the emphasis is on business principles. There is a calculated move behind this. The money belongs to the policy-holders.

MR. CHAIRMAN: It is also there in the existing Bill. Then you read clause (4) also, in addition to this.

SHRI SUNIL MAITRA: I have read it.

MR. CHAIRMAN: It says, "Each Corporation shall, in the discharge of the functions under this Act, be guided by such directions in matters of policy involving public interest as the Central Government may give to it in writing."

SHRI SUNIL MAITRA: It is also there about the present LIC Act also.

MR. CHAIRMAN: It is so.

SHRI SUNIL MAITRA: I am only questioning the investment.

MR. CHAIRMAN: The function of the Corporation when I take Clause 9 is to exercise its powers. It says,—

"....so exercise its powers under this Act as to secure that life insurance business is developed to the best advantage of the community."

SHRI SUNIL MAITRA: This very same thing is also there in the present L.I.C. Act 1956. When that Act was passed by the Parliament this was mentioned and it is there. Now, roughly when 85-86 per cent of the funds are being invested as per the directives of the Government, what more do you want? More than 50 to 60 per cent of it is in Government securities. How can it be used for social purposes?

SHRI K. P. CHAKRABORTY: If Rourkela, Bhilai and Durgapur which were rural areas can be developed, why cannot other rural areas of other States be developed? Under the 20-Point Programme there is a programme to develop the rural areas. When there are instances in West Bengal, there should not be any difficulty in developing the rural areas in our country?

SHRI SUNIL MAITRA: What is the percentage of rural business today out of the total business transacted in LIC?

SHRI K. P. CHAKRABORTY: I do not have the figures. Till 1980—90 districts of the country were not covered. Even today 57 districts in our country have got on LIC office. In some areas one agent covers one lakh of population.

SHRI SATISH AGARWAL: I would like to know from the Finance Ministry what is the latest position in regard to covering of the districts by LIC in the country?

SHRI H. M. S. BHATNAGAR, *Additional Secretary* (Ministry of Finance): The latest information is:

Total districts 420. Districts having LIC branch offices 373. Districts with field organisation, but without branch offices 37. Districts without any field organisation 10.

SHRI SATISH AGARWAL: What is the population in these 10 districts?

SHRI H. M. S. BHATNAGAR, *Additional Secretary* (Ministry of Finance): 06 per cent.

SHRI K. P. CHAKRABORTY: The tendency of opening the branches has come only after the question of split of the Corporation has come up. Before that there was no thinking about opening of the branches by the LIC in the rural areas. Actually I am afraid if this reconstruction of the LIC is not gone through, the same pattern will be there. It was only when the matter came before the public that the LIC is not going to rural areas, the LIC started opening up its branches in the rural areas and it was only after 1980.

(The witnesses then withdrew).

IV. Life insurance agent's federation of India 8, Bechu Chatterjee Street, Calcutta-700 009.

Spokesmen

1. Shri A. K. Purkayastha, Secretary General.
2. Shri K. L. Thukral, President New Delhi.
3. Shri N. C. Chandak, Vice-President, Nagpur.
4. Shri M. R. Das, Member Secretary, Calcutta.
5. Shri R. N. Malhotra, Member, Central Secretariat.
6. SHRI A. PAL—Member, Central Secretariat.

(The witness were called in and they took their seats)

MR. CHAIRMAN: Before you start your evidence, I would like to make it clear to you that your evidence shall be treated as public and is liable to be published unless you specifically desire that all or any part of the evidence given by you is to be treated as confidential. Further, I may explain to you that even though you may desire your evidence to be treated as confidential, your evidence is liable to be made available to the Members of Parliament.

You have given your memorandum. Can you suggest any amendments to the clauses of the Bill? If you can, do so.

SHRI A. K. PURKAYASTHA: We have first given our general views on the Bill. In the supplementary memorandum we have given specific amendments of many of the clauses of this Bill.

MR. CHAIRMAN: Which clause?

SHRI A. K. PURKAYASTHA: First of all we say that if LIC is to be split its name should be changed to Life Assurance corporation.

MR. CHAIRMAN: Assurance means, after all assurance. 'Insurance' is which must occur.

SHRI SATISH AGARWAL: That means you are 'assured' of some return of the money. In 'insurance' you are not.

MR. CHAIRMAN: Suppose, I give an assurance. It may not be fulfilled.

SHRI NAND KISHORE BHATT: The point which the witness is trying to make is the life insurance contract has to be fulfilled either at the time of death or before, when the maturity is attained.

SHRI A. K. PURKAYASTHA: In some international companies, the term 'insurance' is not accepted. There are some companies which do 'general insurance and not 'life' business.

SHRI SATISH AGARWAL: On the contrary, a company doing general business or using the word 'assurance' may not be correct.

SHRI H. M. S. BHATNAGAR, Additional Secretary (Finance Ministry): In the Insurance Act of 1980 of the United Kingdom Government it says "insurance" business in the specific clause of the Schedule I.

SHRI A. K. PURKAYASTHA: This second point is that the LIC business must be developed for the advantage of the policy-holder, and not of the community.

MR. CHAIRMAN: Does not the community consist of policy-holders?

SHRI A. K. PURKAYASTHA: This question was raised. You know that there are very small policy holders who only have one policy. Many people have got more than two or three policies. We find that in general we look to the interests of the community and not to the interests of the policy-holders. But when we refer to 'small savings' the interest of the party, saver, is protected. What we find is that from the life insurance angle they become second class savers in the society.

MR. CHAIRMAN: Many of the people take it to save income-tax.

SHRI A. K. PURKAYASTHA: I cannot serve life insurance properly, if I am to sell life insurance to somebody who does not have to pay income-tax. Such persons do not go in for life insurance. We have to compete with domestic savers, who find in the market other forms of savings where the interests of the savers are looked after much better than the interests of the policy-holders.

MR. CHAIRMAN: Certain policies lapse. Then that money goes to the community, or all the policy holders.

SHRI A. K. PURKAYASTHA: It goes to the community.

MR. CHAIRMAN: To whom does that money belong?

SHRI A. K. PURKAYASTHA: That is the money of the Corporation. The Corporation has to look after the policy-holders.

MR. CHAIRMAN: Please see section 6 of the present Act.

SHRI A. K. PURKAYASTHA: That is what I told you. That is the idea behind it. It is the explanation given by Pandit Jawaharlal Nehru. The position is that by looking into the interests of the community we are not looking into the interests of the life insurance and the market. When the competition comes in, the question of bonus comes in, our return is so small that we cannot get better results. That is where we are

lacking when we go in for soliciting insurance business.

MR. CHAIRMAN: Wherever there is a word 'community', you want that it should be substituted by the word 'policy-holders'?

SHRI A. K. PURKAYASTHA: This is to be so.

MR. CHAIRMAN: What was the idea of the then Finance Minister when the life insurance was nationalised in 1956?

SHRI A. K. PURKAYASTHA: It was said that in the interest of the community we were nationalising the life insurance. But what I am submitting is that in the small savings the interest of the saver is kept in mind.

If LIC is at all to be split, it should not be split vertically but horizontally, because LIC has earned a very good reputation in the market in spite of some of its failings here and there. But if it is split it will create many problems.

Today you find that we are selling a large number of policies which are luxury policies. The premium rate is high and the return is very good. That return we could not give to the persons who do not pay income-tax.

MR. CHAIRMAN: What is the total number of whole-time professional agents?

SHRI A. K. PURKAYASTHA: 20,000.

MR. CHAIRMAN: Do they have regular offices?

SHRI A. K. PURKAYASTHA: Not all but some have.

MR. CHAIRMAN: What is the percentage of agents who disappear after 2 years or five years?

SHRI A. K. PURKAYASTHA: More than 60 per cent go haywire after four years. As a matter of fact, hardly over 600 career agents we could have in the course of ten years.

MR. CHAIRMAN: Can you give me some concrete suggestions by which we can improve the service to the policy-holders?

SHRI A. K. PURKAYASTHA: It can become effective and very good if the agents are properly trained and the whole thing is decentralised to the branch level. Today out of the new agents that LIC recruits every year, 54 per cent are trained agents. First of all, they should be given training. A lot of improvement is necessary in this regard. If I do not know my subject, how can I pass on my ideas to the prospective buyer.

MR. CHAIRMAN: Do you know that there are benami agents? If so, what is their percentage?

SHRI A. K. PURKAYASTHA: A lot of them are there.

MR. CHAIRMAN: What remedy do you suggest to deal with them?

SHRI A. K. PURKAYASTHA: After a great deal of discussion with the management circulars were issued that forms should be filled in by the agent himself. But this has not been implemented. Anybody can enter into the LIC office and becomes an agent. So, they become benami with a certain motive. It is like a concubine before the wife.

MR. CHAIRMAN: So far as the policy holders are concerned your main purpose is to serve the policy holders. Do the agents get the cooperation from the Department or Branch Offices as you expect from them?

SHRI A. K. PURKAYASTHA: To the extent it is possible, we are getting it.

MR. CHAIRMAN: Are they cooperating to your satisfaction?

SHRI A. K. PURKAYASTHA: All the Agents get cooperation, but there are limitations, since the decentralisation is not complete.

MR. CHAIRMAN: So, the agents do not get what they want.

SHRI A. K. PURKAYASTHA: Say, for example, today I want a policy to be surrendered. Now, the figure which the Agent gives to the policy holder should tally with the figure of the branch. But if the Branch does not give it properly, then it creates problem for the Agent. When a man surrenders his policy, he knows about forty per cent of his saving goes away. We want to give him a quick service. The word quick is not there. Sometimes we give him a cheque within one or two days and we feel happy about it. But the system that we have in the LIC takes a long time. I was an Agent of the Sunlife of Canada. If I meet a policy holder of the Sun Life, I could tell him that I will give him the cheque at such and such time. But in the LIC it is the system which should be blamed, not the Officers. They are good and we are proud of them.

MR. CHAIRMAN: So, you want to change the system.

SHRI A. K. PURKAYASTHA: Yes.

MR. CHAIRMAN: What system do you want?

SHRI A. K. PURKAYASTHA: Complete decentralisation. A scheme is there. Unless it comes in, we will not be able to tell you where the snag is. If decentralisation is not complete, we cannot give proper service.

MR. CHAIRMAN: What do you mean by decentralisation?

SHRI A. K. PURKAYASTHA: The Branch should be able to give me facilities like underwriting to claim settlement.

MR. CHAIRMAN: Why have the Agents not gone to the far off areas?

SHRI A. K. PURKAYASTHA: One of the reasons is that Commission is not commensurate with the effort involved. Suppose I am a poor Agent. On the first of a month I make a proposal. Now, before I have completed a proposal, you will believe me at least for sixteen days I have worked for it. Now, when should I get the commission? I don't know that. If you see the statistics, of the LIC, you

will see lakhs of proposals lie incomplete for months together. Ultimately the end result is taken by the LIC Management. At the end of December two lakhs fifty-five thousand proposals were to be completed. We complete the business at the end of March and everybody is happy, but what does the Agent get? He suffers and goes away. The end result is taken in the Annual Report saying that the LIC has collected so much premium, but there are months when not a single proposal is underwritten in a particular division.

SHRI RAMESHWAR THAKUR: We have gone through your Memorandum and also copy of your letter to the Prime Minister. We have also seen the Supplementary Report giving clause-wise suggestions to the various clauses of the Bill. May I ask you one thing? You have said in paragraph 6 of your letter to the Prime Minister that without effective participation of the Agents, the LIC function cannot be carried out in any part of the world. Because you have covered so many areas, we will be more interested to know the role of the Agents in as present of the LIC business.

In this connection I would like to know out of one lakh membership of the Agents, how many urban and how many rural agents are there?

SHRI A. K. PURKAYASTHA: I think we do not have more than 30 per cent in the rural areas, but I am not sure.

SHRI RAMESHWAR THAKUR: What is the proportion of the business in the rural areas?

SHRI A. K. PURKAYASTHA: It is about thirty per cent. of policies.

SHRI RAMESHWAR THAKUR: You are a representative of the Agents, who are the backbone of the Life Insurance. The Life Insurance business could be spread much more faster if you have played your role in the rural and urban areas together.

SHRI A. K. PURKAYASTHA: The Administrative Reforms Commission has

suggested that there should be a general council where the representative of the Agents should be there to discuss across the table all the problems. To see that this happens, we want certain things to be done, but it may not be possible immediately under the present circumstances for the Management to concede.

SHRI RAMESHWAR THAKUR: Can you tell us what is your effectiveness in encouraging the business in rural and urban areas?

SHRI A. K. PURKAYASTHA: The main function of an Agent is to solicit and procure insurance. For that we have already agreed that the Agent's stipulation i.e. the number of policies per Agent should be increased on the basis of the group or sector of prospects on which he is working.

SHRI RAMESHWAR THAKUR: There have been suggestions before the Committee that the Agents are not able to give faster growth of insurance. If this business is given to the Bank Officials either on commission basis or otherwise they can be more effective. What is your reaction to this suggestion?

SHRI A. K. PURKAYASTHA: We do not agree to this.

SHRI RAMESHWAR THAKUR: If that is so what is your answer to the Bank branches doing it in the rural areas.

SHRI A. K. PURKAYASTHA: But they will also employ agents.

SHRI RAMESHWAR THAKUR: Their own officers can do it.

SHRI A. K. PURKAYASTHA: In life insurance business it is not possible that anybody can work.

SHRI RAMESHWAR THAKUR: Profit will also increase if we authorise the Bank Branches to do the business. I agree only authorised agents will do.

SHRI A. K. PURKAYASTHA: They have to employ agents.

SHRI RAMESHWAR THAKUR: Departmentally they can do it.

SHRI A. K. PURKAYASTHA: I think when you say that, you have the postal insurance in mind. But that is confined to a particular class of people.

SHRI RAMESHWAR THAKUR: That is a different question. What is your reaction to this proposal?

SHRI A. K. PURKAYASTHA: We shall meet the situation. We shall see that this scheme will never succeed. For your information in America they just adopted a Bill and granted licence to some bank branches to do business. But the whole insurance community in America protested against it.

SHRI RAMESHWAR THAKUR: The Bank Officers' Association have told us that if this is entrusted to them, they will do it better.

SHRI K. L. THUKRAL: They might have said it.

SHRI A. K. PURKAYASTHA: That way how many people come to the LIC offices to insure?

SHRI RAMESHWAR THAKUR: That analysis will not do. Many people come to the Banks to deposit money. They know the financial position of the people in rural areas. So they can do the job better. That is the suggestion that has come. What is your reaction and how are you going to meet it?

SHRI K. L. THUKRAL: My submission is like this: once this attempt was made when agency was given to co-operatives also. Now if this agency is sought to be given to the banks.

SHRI RAMESHWAR THAKUR: It will be given to the bank management.

SHRI K. L. THUKRAL: But the co-operative experiment is there.

SHRI RAMESHWAR THAKUR: That is your individual attitude. What is the concrete programme of training your Division has taken?

SHRI A. K. PURKAYASTHA: We are holding seminars, meetings and other things to train our people. But that is

not the way. Perhaps we started from a higher level.

SHRI RAMESHWAR THAKUR: Do you think that there should be any organised competition, there must be some organised association of institution to ensure the continuity and healthy growth of agents in India in the interests of life insurance business as well as agents and policy-holders?

SHRI A. K. PURKAYASTHA: That is true.

SHRI RAMESHWAR THAKUR: If you agree, there may be some code of conduct for agents and your organisation has any suggestion to make?

SHRI A. K. PURKAYASTHA: Code of conduct must be there.

SHRI RAMESHWAR THAKUR: Would you like to make some written suggestions to the committee now or later on about this code of conduct? That would be in the interests of all.

SHRI A. K. PURKAYASTHA: We would like to submit it. There should be a code of conduct certainly. We are operating in the market competing with each other.

SHRI RAMESHWAR THAKUR: Do you think a larger number of agents in the rural areas will give more thrust to the business in the rural areas?

SHRI A. K. PURKAYASTHA: No, Sir. It is not true.

SHRI RAMESHWAR THAKUR: Urban agents should go to do business in rural areas also.

SHRI A. K. PURKAYASTHA: He will not go. We have to develop expertise in a particular class of business.

SHRI RAMESHWAR THAKUR: Do you know doctors are required to go to the rural areas as also engineers. Now Accountants are also being asked.

SHRI A. K. PURKAYASTHA: He will go to the rural areas provided he has got adequate prospects for him.

SHRI RAMESHWAR THAKUR:

There are suggestions made in your memorandum. You want what is insurance has to be clarified. Then in clause 9, you say "debate the words appearing after the words 'carry on' in the third line and insert the words 'such class or classes of business, as may be specified by the Life Assurance Board, from time to time, and each Corporation shall'." You do not want the Act to say what will be the business of the Life Insurance Corporation. You want the Life Insurance Board to decide what business they will do. This is a negative approach and in no Act of Parliament it is done like that. So this is misconceived.

Secondly, you talk about the interests of the policy-holders. There also there is some mix-up. This has already been discussed. Are the interests of the policy-holders against the interests of the community at large? It cannot be at cross purposes. The larger interests of the community is always there and within that frame-work the policy-holders' interests have to be looked into.

Section 9 (2)—you are asking to delete all the sub-sections—(a), (b), (c), (d), (e), (f), (g), (h), etc. If you delete all of them, then what remains? Whatever the Assurance Board will decide they will do and other businesses will not be given to the corporation. Then what kind of a corporation will it be? What kind of law will it be? How do these suggestions come that all these clauses should be deleted? They will simply have a negative approach to entire scheme of things.

श्री राम लाल राही : यद्यपि मैं विटनेस की पूरी बात नहीं सुन पाया, लेकिन आपके अनुसार आप एल आई सी के कर्मचारी न होकर केवल एजेंट हैं और कमीशन बेसिस पर काम करते हैं ।

श्री ए० के० पुरकायस्थ : जी हाँ ।

श्री राम लाल राही : आप जानते कि एल आई सी का ग्रामीण क्षेत्रों

के लोगों को मोटोवेट करके पोलिसी होल्डर बनाने का प्रतिशत शहरी क्षेत्रों के मुकाबले बहुत कम है । आपने स्वयं बताया कि वह लगभग 30-35 प्रतिशत ही है उससे अधिक नहीं ।

श्री ए० के० पुरकायस्थ : वह लगभग 26 परसेंट बनता है ।

श्री राम लाल राही : आप जब कमीशन बेसिस पर काफी समय से काम कर रहे हैं, यदि रूरल एरियाज में जाते तो वहाँ भी काफी काम मिल सकता था, क्या आपने ग्रामीण क्षेत्रों में जाना उचित नहीं समझा या उसके पीछे कौन से कारण रहे ।

श्री ए० के० पुरकायस्थ : हम एजेंट्स लोग सैलरी पर काम नहीं करते हैं । इसके साथ-साथ कई दूसरे फैक्टर्स भी हमारे सामने होते हैं, हमें यह भी देखना पड़ता है कि हमारा खर्चा कहां अधिक आता है तथा कहां कम आता है । फिर टाइम और पैसे के हिसाब से हमें एडजस्ट करना पड़ता है । शहरों में जो लोग पोलिसी लेते हैं, हमें कम खर्चों में उनसे अधिक रिटर्न प्राप्त होती है ।

श्री राम लाल राही : जैसा मेरा खयाल है, क्या आप स्पष्ट कर सकेंगे कि जिस तरह से आप एल आई सी का काम करते हैं, लोगों को पोलिसी लेने के लिए मोटोवेट करके लाते हैं, मान लीजिए आपका हैड आफिस एक डिस्ट्रिक्ट में है और उससे लगभग 60-70 किलोमीटर दूर आपको किसी स्थान से लोगों को मोटोवेट करके पोलिसी-होल्डर बनाने के लिए कहा जाए, मैसेंजर बनाने के लिए कहा जाए, तो क्या आप को कठिनाई महसूस नहीं होगी ।

श्री के० एल० ठुकराल : जी हां, आपने बिल्कुल ठीक कहा।

श्री राम लाल राही : यही कारण है कि आप देश के रूरल एरियाज तक नहीं पहुंच पाये हैं। दूसरी बात आपने कही कि यदि हमें कुछ ग्रौर इन्सैन्टिव मिल जाएं, दूसरी सभी सुविधाएं मिल जाएं, यदि वैसा कुछ प्रावधान हो जाए तो क्या आप ग्रामीण इलाकों तक जाने के लिए तैयार हो जाएंगे और ग्रामीण इलाकों में जाकर लोगों को मोटोबेट कर सकेंगे। मैं मानता हूं कि जब तक किसी एजेंट को इन्सैन्टिव नहीं मिलेगा, वह ऐसे दूरदराज के क्षेत्रों में क्यों जाएगा।

श्री के० एल० ठुकराल : जी हां, प्रोत्साहन मिलने पर हमें क्या आपत्ति हो सकती है।

श्री राम लाल राही : थोड़ी देर के लिए भान लॉजिए कि यह बिल सरकार वापस ले ले और वर्तमान एक्ट में ही संशोधन करके एल आई सी की ब्रान्चेज हर तहसील स्तर तक खोल दी जाएं और उनके साथ कुछ एजेंट्स को भट्टेच कर दिया जाए तो क्या आप समझते हैं कि इससे एल आई सी का काम बढ़ सकता है।

श्री के० एल० ठुकराल : मेरा अनुभव कहता है कि कुछ अंश तक काम जरूर बढ़ सकता है, लेकिन इसके अलावा और भी कई फैक्टर हैं, जिन्हें हमें ध्यान में रखना पड़ेगा। जहां तक देश में ग्रामीण और शहरी इलाकों में इन्श्योरेंस का फैलाव करने का प्रश्न है, दोनों इलाकों की रिक्वायरमेंट्स में काफी डिफरेंस है। जो पोलिसीज हम भरबन एरियाज में बेच सकते हैं, और जिस बेसिस पर बेच सकते हैं, हो सकता है कि उतनी पोलिसीज उसी बेसिस पर हम रूरल एरियाज में न बेच पायें। क्योंकि वहां सर्वेक्स्टेंसिज शहरी इलाकों के मुकाबले बिल्कुल भिन्न हैं।

With a good effort in terms of time and money what is the return? Because, of the policies so far issued which favour the income-tax payer to get the insurance, most of them are in the urban areas—more in the urban areas and less in the rural areas.

श्री राम लाल राही : क्या आपने कभी इस बात का अध्ययन किया है कि पहले की प्रपेक्षा अब ग्रामीण इलाकों का वातावरण धीरे-धीरे बदलता जा रहा है और ग्रामीण क्षेत्रों में ऐसे बहुत से लोग हैं, किसान हैं या दूसरे वर्ग के हैं जिनको यदि मोटोबेट किया जाए तो हर गांव से लगभग 25-50 या 100 लोगों तक को एल आई सी के पोलिसी-होल्डर बनाया जा सकता है। क्योंकि ग्रामीण इलाकों में बहुत से ऐसे किसान हैं, जो 18 एकड़ से ज्यादा जमीन के मालिक हैं, कई कर्मचारी ऐसे हैं जो सरकारी खजाने से तनख्वाह पाते हैं अथवा किसी प्राइवेट इंस्टीट्यूट में काम करके मन्थली सैलरो पाते हैं। ऐसे लोगों को यदि मोटोबेट किया जाए तो वे पोलिसी लेने के लिए तैयार हो सकते हैं। इस तरह से गांवों में दूर तक फैलाया जा सकता है।

सभापति : यह तो इन्होंने पहले भी कहा था।

श्री के० एल० ठुकराल : मैंने पहले ही ऐसा निवेदन कर दिया है। लेकिन यहां एक सवाल और जुड़ा हुआ है कि शहरी इलाकों में जो लोग पोलिसी लेते हैं, उनको कुछ मात्रा में इन्कम टैक्स में छूट मिल जाती है जब कि ग्रामीण इलाकों में वैसी बात नहीं है।

श्री राम लाल राही : क्या आप ऐसा महसूस नहीं करते कि जैसे देश में ऐसा परिवार नियोजन अथवा ग्रुप-बचत जैसे संगठन मौजूद हैं और उनके कार्य का प्रचार व प्रसार सरकारी मशीनरी, रेडियो या टेलीविजन द्वारा किया जाता है, कई

दूसरे साधनों से किया जाता है और इस कारण काफी लोग इस और अपने आप मोटीबेट होते हैं। पहले लोग परिवार नियोजन को स्वीकार करने के लिए तैयार नहीं होते थे, परन्तु अब इतना अधिक प्रचार होने के कारण, ऐसा लगता है कि बिना रेडियो और टेलीविजन के प्रचार प्रसार के, हर आदमी महसूस करने लगा है कि परिवार नियोजन उसके हित में है, छोटा परिवार रखना उसके हित में है। इसी तरह यदि सरकार अपने संचार साधनों के जरिए लोगों तक एल आई सी का प्रचार करे कि उनके भविष्य को सुखमय बनाने के लिए यह आवश्यक है तो लोग इस तरफ अधिक आकर्षित हो सकते हैं और अधिक संख्या में पोलिसी होल्डर बनाये जा सकते हैं। क्या आप ऐसा महसूस करते हैं।

श्री के० एल० ठुकराल : जी हां।

श्री राम लाल राही : आप यह भी मानते हैं कि सरकार ने परिवार नियोजन और अल्प बचत के प्रसार प्रचार के लिए जिस तरह से सहयोग किया इंटरैस्ट लेकर काम किया, उतना सहयोग एल आई सी के कार्य के प्रचार व प्रसार के लिए नहीं मिला।

श्री के० एल० ठुकराल : जी हां, बिल्कुल ठीक है।

श्री राम लाल राही : आप ऐसा भी मानते हैं कि अगर सरकार इस तरफ ध्यान दे तो फिर इस बिल को लाने को कोई आवश्यकता नहीं है तथा पुराने अधिनियम के अंतर्गत ही कुछ संशोधन लाकर एल आई सी के काम को गांवों तक पहुंचाया जा सकता है और इसको कारगर बनाया जा सकता है।

श्री के० एल० ठुकराल : जी हां, ठीक है।

मैंने पहले ही अर्थ किया है कि जब हम गांवों की बात करते हैं तो चाहे हम एल आई सी को एक कारपोरेशन के रूप में रहने दें अथवा पांच भागों में बांट दें, बात एक ही है। क्यों कि गांव वालों की ज़रूरतें शहरी लोगों की ज़रूरतों से भिन्न है। जब तक हम उनकी ज़रूरतों को ध्यान में रखते हुए पोलिसी नहीं अद्यतन करते, जब तक इस काम में कामयाबी हासिल करना मुश्किल है।

श्री राम लाल राही : लेकिन उन ज़रूरतों को तो तभी समझा जा सकता है जब गांव-गांव में, हर जगह हम अपने एजेंट्स को लगायेंगे। इस देश में शिक्षित लोग कितने परसेंट हैं। उनमें से गांवों में कितने प्रतिशत हैं।

सभापति : राही जी, आपने इनसे सारी बातें निकाल ली।

श्री राम लाल राही : चूंकि अभी तक इस देश में शिक्षित लोगों का प्रतिशत बहुत कम है, इसलिए आज आवश्यकता इस बात की है कि उनके बीच में जाकर उनको ज़रूरतों को समझा जाये अथवा संचार साधनों का प्रयोग करके जैसे रेडियो, टेलीविजन आदि हैं, उन तक एल आई सी का प्रचार किया जाए तभी लोग इस और अधिक आकर्षित हो सकते हैं। तभी उनको सही तरह से ट्रेन किया जा सकता है और हमें भी कामयाबी मिल सकती है। यदि इस कमी को सरकार पूरा कर दे तो मेरा विश्वास है कि एल आई सी को पोलिसी लेने में गांवों के लोग रुचि दिखाएंगे और लाभ उठा सकते हैं।

SHRI A. K. PURKAYASTHA: The requirements are different. But in fact, rural areas should be treated separately; their problems are different. They need different types of approach.

सभापति : यह तो इन्होंने पहले ही कह दिया है।

SHRI LAL K. ADVANI: You represent the agents and the only important clause which relates to the agents is Clause 63. I would like your comments on Clause 63 which lays down the disqualification for appointment as insurance agent.

SHRI A. K. PURKAYASTHA: By and large it is good.

SHRI LAL K. ADVANI: Including clause (c) that the spouse of an employee should be prohibited from being appointed as an agent?

SHRI A. K. PURKAYASTHA: Correct. Further, we would like that there should be a higher age limit for entry.

SHRI LAL K. ADVANI: Do you not think that this would create more practical problems particularly in the villages where you just do not have people who can become agents, who can be motivated and perhaps the wife of the Post Master or a teacher can motivate the people to take life insurance policies?

SHRI A. K. PURKAYASTHA: Our experience about rural areas is that there is a large number of educated unemployed persons who would love to become life insurance agents provided it is a good profession for earning money and if it is satisfactory.

SHRI A. K. PURKAYASTHA: If we have properly trained people to go to the rural areas, they will sweat their blood to procure business from the rural areas.

SHRI VITHALRAO MADHAVRAO JADHAV: In this Bill it has been said that by formation of the five zonal corporations there will be intensive competition in collection of business. In spite of that fact, why do you oppose division of the corporation?

SHRI A. K. PURKAYASTHA: We are against the Bill because it is splitting the corporation vertically. One cannot go from one place to another. It will create lot of bad blood and it will hamper national integration.

MR. CHAIRMAN: But the Bill says that the Corporation may open its branches in other areas.

SHRI A. K. PURKAYASTHA: If a person from Rajasthan refuses to buy policies from the eastern zone, I shall feel bitter about it. Moreover, policies cannot be transferred. Similarly, in the settlement of claims, you will find that the proper death certificates will not be given by the other corporation because they are not interested in the furtherance of business of the other corporation. If the investment is different, business is different as it is today, mortality is different, then the valuation will be different. We are completely against this. Particularly we feel that it will be against national integration. We have given an alternative suggestion. For instance, on the 1st February the Controller of Insurance has written an article that there should be separate corporations for group insurance and superannuation insurance. LIC is paying hundreds of crores every year as a lumpsum to the widows. How many people are capable of handling a capital sum? If somebody gets a lottery of Rs. 5 lakh, how many people are there in India who can handle that much amount? But there is some one in every home to handle Rs. 2000 per month.

SHRI VITHALRAO MADHAVRAO JADHAV: What would you like to suggest that there should be different community of agents for rural areas and different community of agents for urban areas?

SHRI A. K. PURKAYASTHA: That is being done now.

SHRI SATISH AGARWAL: You procure business for LIC and for that you get commission. What is your responsibility towards the policy-holder which you must discharge?

SHRI A. K. PURKAYASTHA: The policy-holder is a person who gets me commission.

SHRI SATISH AGARWAL: Except for the first year when you procure business, you do not get much till the policy matures. Without getting into the percentage figures, you are getting 5 per

cent commission. For 20, 25 or 30 years till the policy-holder is paying the premium to the Life Insurance Corporation you get the commission. Then what sort of service do you render to the policy-holder, after the first year or after 3 years?

SHRI A. K. PURKAYASTHA: Service originates from the need of the policy-holders. If he does not require that his nomination should be changed, we cannot force him to change. If he does not want any loan, I cannot give him a loan.

SHRI SATISH AGARWAL: Do you collect the premium from the policy-holder and deposit it?

SHRI A. K. PURKAYASTHA: The LIC sends the premium notice direct to the policy-holder. Some agents do it.

SHRI SATISH AGARWAL: The name of the agent is mentioned in the policy document?

SHRI A. K. PURKAYASTHA: No, Sir.

SHRI SATISH AGARWAL: Then, how does the policy-holder know after 5 or 6 years who was the agent? I took out a policy when I was Minister. I do not know even today the name of the agent. How do I contact that agent? There may be hundreds and thousands of such instances where the policy-holders are not aware of the agents' names or they cannot contact him even after 5 or 10 years. Secondly, that particular policy-holder may be transferred from X to Y agent and that agent is not available. So in many cases the agent is of no consequence and provide no help to the policy-holder.

SHRI A. K. PURKAYASTHA: You are very correct.

SHRI SATISH AGARWAL: If the policy-holder is not satisfied with the service . . .

SHRI A. K. PURKAYASTHA: That conclusion is not correct.

SHRI SATISH AGARWAL: Supposing I am not satisfied with the service they render to me by my Bombay agent—he is supposed to render the service to me and he is getting the commission—then why should I not write to the LIC and change my agent so that he gets the 5 per cent commission.

SHRI A. K. PURKAYASTHA: It will create many problems.

SHRI SATISH AGARWAL: I understand it.

MR. CHAIRMAN: Shri Satish Agarwal has put a specific question. If the agent does not serve the policy-holders, is it not tantamount to professional misconduct?

SHRI A. K. PURKAYASTHA: It is professional misconduct.

SHRI SATISH AGARWAL: How is the renewal commission paid?

SHRI A. K. PURKAYASTHA: That is paid when I receive the notice from the LIC.

SHRI SATISH AGARWAL: What is the renewal premium commission? It is a deferred remuneration for the service rendered. Do you agree with this?

SHRI A. K. PURKAYASTHA: Subject to the premium being paid regularly.

SHRI SATISH AGARWAL: Naturally. That is not deferred payment?

SHRI A. K. PURKAYASTHA: If the policy-holder dies there is no chance of getting the renewal commission.

SHRI SATISH AGARWAL: Should not the policy-holder have some authority in certain conditions to get his agent changed—who does not render any service to the policy-holder?

SHRI A. K. PURKAYASTHA: That will create a lot of problems. There is a large number of policy-holders and there is a large number of agents coming

and going. Every year about 25,000 agents come and go, definitely they leave behind at least a lakh of policy-holders orphan. Then you said that if a policy-holder transfers his policy from Calcutta to Delhi—it is not possible to service the customer of an agent except through writing letters. Still there is a large number of agents who render service to their policyholders. Normally, we the professional agents want the policy-holders to keep their policies in the Branch. I am in touch with so that I can get the commission.

SHRI SATISH AGARWAL: Is the existing system of having agents for selling insurance the same in USA? You know we have a network of agents for selling insurance in our country.

SHRI A. K. PURKAYASTHA: Yes, Sir.

SHRI SATISH AGARWAL: The people are very much insurance-conscious there?

SHRI A. K. PURKAYASTHA: They are not. There are certain insurance companies in America who do not employ life insurance agents. Their total business is very small.

SHRI SATISH AGARWAL: You are getting the commission because you are selling the policy to somebody. Suppose I go to the insurance company and I want to have the policy—I straight go to the Manager and take out a policy. The agent does not come into the picture. In that case the LIC will be saved of the commission.

SHRI A. K. PURKAYASTHA: May be he is suffering from a disease which he is trying to conceal.

MR. CHAIRMAN: The question is very specific. You are supposed to answer the question. Suppose we do not require the agent, we go direct to the office and get our life insurance, we do not require our service. Can we not say so?

SHRI A. K. PURKAYASTHA: As I said, Sir, this is a thing which raises a lot of problems.

SHRI BRAJAMOHAN MOHANTY: Agents vis-a-vis policy-holders. It is a total relationship. Payment of commission subsequently. Is that the practice prevalent in other countries? Or there is some other system whereby agents are made more responsible to the policy-holder and if you have some suggestions to make in that particular respect so that the policy-holders can have a better service not only from the LIC but also from the agents, we would like to hear them.

SHRI A. K. PURKAYASTHA: The same system we have is prevalent in USA and Canada. In Germany and Switzerland no renewal commission is paid. The entire first premium paid is paid as commission. There are different rates of commission. There are some areas where the renewal commission is paid only for a limited period. It is 80 per cent of first year's commission and 3 per cent renewal commission thereof for a few years and thereafter nothing.

SHRI SATISH AGARWAL: Why not we have the same thing?

SHRI A. K. PURKAYASTHA: 80 per cent first year we accept it. If we get even 50-55 per cent we will be satisfied.

SHRI SATISH AGARWAL: The policy-holders will also be benefited thereby.

SHRI A. K. PURKAYASTHA: We shall be happy if the policy-holders are benefited.

SHRI BRAJA MOHAN MOHANTY: You have seen Clause 63 of the Bill. Would you like to expand the scope of Clause 63 by including the employee of the local bodies and their spouses?

SHRI A. K. PURKAYASTHA: We prefer that the agents should be whole-time agents. But they should be given proper training. But we are not actually fastidious about it whether the employee's wife should be excluded, or not.

SHRI BRAJA MOHAN MOHANTY: I am, asking whether the employees of the corporations or local bodies and their spouses should be excluded.

MR. CHAIRMAN: They have given their views.

SHRI BRAJA MOHAN MOHANTY: I am specifically asking about the employees of the local bodies and their spouses.

SHRI A. K. PURKAYASTHA: It is a difficult question, because Panchayat does not mean the same everywhere. If the Panchayat is covered municipality is not covered at some places I only say that the agents should be full time agents.

MR. CHAIRMAN: You have not answered his question. He wants to know if the employees of the local bodies, like Panchayats or municipalities should be excluded.

SHRI K. L. THUKRAL: It is a very difficult question.

SHRI BRAJA MOHAN MOHANTY: You take your own time and let us know later. Now, during your long experience do you find that women are more popular than male agents? I am thinking whether statutorily some provisions should be made that about 25 per cent of the agents should be women.

SHRI K. L. THUKRAL: Yes, it is good. But there need have to be age limit.

SHRI BRAJA MOHAN MOHANTY: We should encourage women to become agents.

SHRI LAL K. ADVANI: According to this provision if the husband happens to be an agent, she will be disqualified. This may not be correct.

MR. CHAIRMAN: If she is independent she should be allowed.

SHRI LAL K. ADVANI: We understand, that it should be a whole time agent. Any agent should be whole-timer. But this particular provision does not bar anyone from being a part-timer. Even if a woman is willing to work as a whole time agent, if her husband is already an agent, she is debarred. There is a legal flaw. I do not know whether it would stand in a court of law. I can understand an LIC employees' wife being barred; but

not another Government employee. I appreciate that it should be a professional. But according to this provision a woman cannot become a professional insurance agent if her husband happens to be a Government employee, and *vice versa* also.

SHRI A. K. PURKAYASTHA: That means if I marry a girl working in LIC my agency will go.

MR. CHAIRMAN: Thank you.

SHRI BRAJA MOHAN MOHANTY: To protect the interests of the policy holders do you advise that it should be laid down that hundred per cent consideration would be the interest of the policy holders and not the general community? Or, there should be some sort of reconciliation and compromise in between the interests of the community and the policy-holders?

SHRI A. K. PURKAYASTHA: When the LIC invests its money in the Electricity Board, they charge higher rate of interest. But unfortunately there are many areas, particularly in the Government departments, where the LIC is bound to invest its money. There it has rather become a captive investor. The LIC has invested to a special scheme of Central Government under which last year it invested Rs. 241 crores. Year before last it invested Rs. 241 crores, earning higher rate of interest.

I feel the government should create a separate LIC for the rural insurance. I would also suggest that the LIC should invest where the return is the highest.

SHRI BRAJAMOHAN MOHANTY: To that extent you are sacrificing the interests of the community.

SHRI A. K. PURKAYASTHA: When LIC invests its money in house building then is it not serving the interests of the community? It is indirectly, without sacrificing the interests of the policy holders, helping the community at large and strengthening the national integration.

(The witness then withdrew)

(The committee then adjourned).

RECORD OF EVIDENCE TENDERED BEFORE THE JOINT COMMITTEE ON THE LIFE
INSURANCE CORPORATIONS BILL, 1983

Friday, 15 June, 1984 from 1000 to 1315 hours in Committee Room No. 46, West
Bengal Legislative Assembly Building, Calcutta.

PRESENT

Shri Mool Chand Daga—Chairman

MEMBERS

2. Shri Satish Agarwal
3. Shri Ghayoor Ali Khan
4. Shri Sunil Maitra
5. Shri Braja Mohan Mohanty
6. Shri Kusuma Krishna Murthy
7. Shri Ram Pyare Panjka
8. Shri Ram Lal Rahi
9. Shri K. A. Rajan
10. Shri M. S. K. Sathiyendran
11. Shri Natvarsinh Solanki

Rajya Sabha

12. Shri Lal K. Advani
13. Shri Nand Kishore Bhatt
14. Shri Vithalrao Madhavrao Jadhav
15. Shri Sudhakar Pandey
16. Shri Sukomal Sen
17. Shri Rameshwar Thakur

SECRETARIAT

Shri G. L. Bhatt—Senior Examiner of Questions.

REPRESENTATIVES OF THE MINISTRY OF FINANCE (DEPT. OF ECONOMIC AFFAIRS)
(INSURANCE DIVISION)

1. Shri H. M. S. Bhatnagar—Additional Secretary.
2. Shri R. K. Mahajan—Controller of Insurance.
3. Shri S. G. Subrahmanyam—Managing Director (Investment).
4. Shri S. D. Raheja—Under Secretary.

WITNESSES EXAMINED

I. Peerless Employees Union, 29/1A, Chandney Chawk Street, Calcutta-700072.

Spokesmen:

1. Shri Jahor Lal Mookherjee
2. Shri Shyamal Dutta Gupta,—Secretary
3. Shri S. N. Bhowmik,
Vice-President.

II—All India Insurance Employees' Association, 24, Chittaranjan Avenue, Top Floor, Calcutta-700012.

Spokesmen:

1. Shri Chandrasekhar Bose, President.
2. Shri B. S. Sharma, Vice-President.
3. Shri Saroj Chaudhuri, General Secretary.

III. United Movement of Workers, Employees and Teachers, West Bengal, 249 Bepin Behari Ganguly Street, Calcutta-12

Spokesmen:

1. Shri Bhabatosh Roy,
Working Committee Member.
2. Shri Bharada Bhattacharya,
Working Committee Member.

IV. Shri Kalyan Dutt,
Professor of Economics,
64/1/10, Belgachia Road,
Calcutta-700037.

I—Peerless Employees Union Calcutta

Spokesmen:

1. Shri Jahor Lal Mookherjee,
2. Shri Shyamal Dutta Gupta.
3. Shri S. N. Bhowmik.

(The witnesses were called in and they took their seats)

MR. CHAIRMAN: Before you start, I may point out that in accordance with the provisions contained in Direction 58 of the Directions by the Speaker, your evidence shall be treated as public, and is liable to be published, unless you specifically desire that all or any part of the evidence given by you should be treated as confidential. Even though you might desire your evidence to be treated as confidential such evidence is liable to be made available to the Members of Parliament.

SHRI S. N. BHOWMIK: Sir, I will request that our evidence may be treated as confidential.

[The entire evidence tendered by the representatives of Peerless Employees Union, Calcutta has been treated as confidential at their request. Two copies thereof have been kept in Parliament Library for reference by the members of Parliament only.]

II. All India Insurance Employees' Association, Calcutta

1. Shri Chandra Sekhar Bose, President

2. Shri B. S. Sharma, Vice President

3. Shri Saroj Chaudhuri, General Secretary

(The witnesses were called in and they took their seats)

MR. CHAIRMAN: Before you start, I may point out that in accordance with the provisions contained in Direction 58 of the Directions by the Speaker, your evidence shall be treated as public, and is liable to be published, unless you specifically desire that all or any part of the evidence given by you should be treated as confidential. Even though you might desire your evidence to be treated as confidential, such evidence is liable to be made available to the Members of Parliament.

I must appreciate the effort which you have put in for preparing a detailed memorandum. In paragraph 3.2, you have summarised the objectives of nationalisation of life insurance business. Do you feel that the objectives on which the life insurance business was nationalised, have been fulfilled.

SHRI SAROJ CHAUDHURI: Very Substantially.

MR. CHAIRMAN: Do you know the objective for which the Era Sezhiyan Committee was constituted?

SHRI SAROJ CHAUDHURI: Yes, Sir.

MR. CHAIRMAN: Do you know the findings of the Era Sezhiyan Committee?

SHRI CHAUDHURI: Yes, Sir.

MR. CHAIRMAN: Do you know the findings of the PU Committee? It is written on page 6 of the Era Sezhiyan Committee Report. It says that the Committee feels that if the efficiency in the corporation is to be improved in a massive scale, the present zones should be constituted into completely independent corporations.

Why was the Era Sezhiyan Committee set up.

SHRI SAROJ CHAUDHURI: Despite the fact that several committees were appointed to go into the working of the LIC and despite the fact that all those committees did not recommend split of the organisation, this Committee was set up.

MR. CHAIRMAN: Do you know that the ex-Prime Minister, Shri Charan Singh, had said that the working of the LIC had deteriorated very much. That is why this Committee was set up and on the basis of the report of that committee this Bill was brought forward. This committee has come to a particular finding. And that is there on page 258. It says: "In spite of large growth in business the LIC has not been able to fulfil most of its primary objectives. The Committee is convinced that the Corporation's present unitary structure has been a major factor for this The Committee feel that with the smaller corporations it would be possible to enthuse a sense of belonging to the corporation. The Committee recommend that the existing zonal offices should be set up as independent corporations. "This is the finding of that expert committee.

After the Report was submitted in 1980, have you written anything to the Finance Ministry about this Report?

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SHRI SAROJ CHAUDHURY: Yes. We addressed a communication to the Government of India in 1981. I don't have its copy now, but I will submit it later on.

MR. CHAIRMAN: You have prepared your case according to you. I would like to know whether you agree with the purpose with which this Bill has been brought forward?

SHRI SAROJ CHAUDHURY: No, Sir.

MR. CHAIRMAN: Do you agree with any of the findings of the Era Sezhiyan Committee?

SHRI SAROJ CHAUDHURY: We don't agree with the change in the structure in the organisation which is intended to be brought about.

MR. CHAIRMAN: Will you kindly tell me the population of our country and the number of Policy holders the LIC has?

SHRI SAROJ CHAUDHURI: Population of the country is about, 70 crores; and the number of the policy holders should be about two and a half crores.

MR. CHAIRMAN: Do you feel it is a satisfactory number? After 1956, today we are in the year 1984. Do you think it is a good progress in the number of policy holders?

SHRI SAROJ CHAUDHURY: There is no public document which contains the number of policy holders in the LIC.

MR. CHAIRMAN: How many policy holders are there from the rural areas?

SHRI SAROJ CHAUDHURY: About 30 per cent of the business comes from the rural areas.

MR. CHAIRMAN: How many LIC Agents are professional agents today?

SHRI SAROJ CHAUDHURY: The line dividing the professional and non-professional is a difficult job to find out.

In rural areas, there are Agents who are professional as well as non-professional. But the attempt of the LIC is to augment the number of professionals.

MR. CHAIRMAN: What are your reasons for not agreeing with the findings of the Era Sezhiyan Committee Report.

SHRI SAROJ CHAUDHURY: The splitting of the LIC will give rise to all sorts of unethical practices; because the premium rate, valuation rates and bonus rates have to be common. Secondly, it will perpetuate regional imbalances and will give rise to a number of other problems.

MR. CHAIRMAN: Suppose we keep the premium and bonus rates as same will you agree to the split?

SHRI SAROJ CHAUDHURY: Any structural change can be meaningful only in respect of consumer satisfaction. If policy holders are condemned to the same rate of bonus and same premium, that levels down the element of competition. But the moment you split the LIC it will perpetuate regional imbalances and will foster other unethical practices and each Corporation will tend to concentrate on saturated urban areas and rural areas will be neglected.

MR. CHAIRMAN: But when the Government redistributes the investments, will it not take care of the regional imbalances?

SHRI SAROJ CHAUDHURY: But the fact remains that even after 37 years, there are regions which are backward.

MR. CHAIRMAN: You can see in the Act itself, how much money does the Government allot. Please see Clause 44:

'95 per cent of such surplus or higher percentage, as the Central Government may approve, shall be allotted.';

SHRI SAROJ CHAUDHURY: In the earlier Act also such a provision exists, but was never used.

MR. CHAIRMAN: Did you make any representation in this regard?

SHRI SAROJ CHAUDHURY: Yes, Sir.

MR. CHAIRMAN: There was a Joint Select Committee at that time also.

SHRI SAROJ CHAUDHURY: We appeared before that Committee also and gave our Memorandum. At that point also we pointed out that we should not take away the entire share of surplus and should plough back a part of it in developing the LIC.

MR. CHAIRMAN: Can you give us a copy of the memorandum which you have submitted?

SHRI CHANDRA SEKHAR BOSE: We will try to send it to you.

MR. CHAIRMAN: Do you think that there should not be competition?

SHRI CHANDRA SEKHAR BOSE: Competition can be only in relation to consumer satisfaction. The moment the industry is nationalised the concept changes because it is a State monopoly.

MR. CHAIRMAN: You have said in para 6.1 of your Memorandum that the Sezhiyan Committee has said that "the LIC has not been able to fulfil most of its primary objectives. The Committee is convinced that the present unitary structure has been a major factor in inhibiting progress." In the light of these observations how do you reconcile your statement in para 6.3 of your memo. That the main thrust of the Sezhiyan Committee is on decentralisation rather than on splitting up and re-structuring?

SHRI CHANDRA SEKHAR BOSE: The main thrust of the Sezhiyan Committee report is that there should be greater recentralisation. With this approach and aim, I said, we entirely agree. But it has erred while giving a concrete shape to that idea. They have suggested split up to which we do not agree.

MR. CHAIRMAN: In that case can you suggest certain changes and amendments in the clauses?..You are totally opposed upto clause 70. One sentence is enough—'We oppose all the clauses.' Do you suggest any amendment to any clause because we will know better?

SHRI CHANDRA SEKHAR BOSE: Our submission is that if the Bill is adopted, and part on the Statute Book, it will be disastrous to the LIC and the life insurance industry which is more than a century old and which is now in the nationalised sector and the interests of so many lakhs of people throughout the country will be in great peril.

MR. CHAIRMAN: You have said that the LIC requires some improvement.

SHRI CHANDRA SEKHAR BOSE: Any organisation may need some improvement or other.

MR. CHAIRMAN: Improvement in what sense?

SHRI CHANDRA SEKHAR BOSE: In the sense that the functioning of the LIC should be constantly reviewed at the management and at the government level, systems changed and new machines installed. Any human organisation should be open to changes.

MR. CHAIRMAN: Do you agree with the claims settlement rate?

SHRI CHANDRA SEKHAR BOSE: No.

MR. CHAIRMAN: Reason?

SHRI CHANDRA SEKHAR BOSE: Today there is an elaborate machinery within the LIC about the settlement of claims and at the apex level there is a committee consisting of an officer not less than the rank of Managing Director of the LIC himself and they go into all these claims very meticulously and after full consideration the claims are settled. After LIC came into being there have been only 1279 court case so far. The LIC won 34 and lost 338 cases. Therefore the policyholders have the right to approach the civil court.

MR. CHAIRMAN: Claims Tribunals— is it not an additional relief to the policyholder?

SHRI CHANDRA SEKHAR BOSE: It will be a burden on the policyholder.

MR. CHAIRMAN: What about Service Tribunals? It is according to the Constitution—Art 323 (a).

SHRI CHANDRA SEKHAR BOSE: That does not apply to us. LIC employees are not public servants. It refers to Central Government officers who are on deputation to the local bodies.

SHRI B. S. SHARMA: As far as 323 (a) is concerned, it is applicable to only those employees who are Central Government and State Government employees and such of these employees who are on deputation to the local bodies. The experience is that even the Central Government employees have not been provided with the Tribunals. They are the largest in number. So there must be something.

MR. CHAIRMAN: You have not touched the point of improving the service to the policyholders. Can you give me certain suggestions?

SHRI CHANDRA SEKHAR BOSE: From time to time we have made a number of suggestions to the management as to how the system can be streamlined, how duplication can be avoided, etc. Some have been accepted and some have not been accepted. Therefore, I would like to add with all humility that there has been very substantial improvement in the servicing of the policies though there are some areas here it needs some more action.

MR. CHAIRMAN: Then you attack Service Matters Tribunals also?

SHRI CHANDRA SEKHAR BOSE: Before going to the Tribunal I will have to exhaust all avenues. Then after the Service Tribunal I can go to the Court. All this is time-consuming and involves a lot of expenditure.

MR. CHAIRMAN: Do you know the objective with which the Act, this Life Insurance Corporation Amendment Act, 1981 was passed?

SHRI SAROJ CHAUDHURY: The objective was for the Government to have unfettered powers.

MR. CHAIRMAN: The objectives were mentioned on the floor of the House in Parliament, though they were later challenged.

SHRI SAROJ CHAUDHURY: The Supreme Court took the view that it was not correct.

MR. CHAIRMAN: The objectives were, "in order to control the cost of administration, in the interest of the Life Insurance Corporation of India and its policy holders whose premium income the Corporation holds as a trustee, it becomes necessary to vest itself with its power to determine the terms and conditions of the services of the employees and agents and streamline the structure;" Do you agree?

SHRI SAROJ CHAUDHURY: As far as the objectives are concerned, they may be good.

MR. CHAIRMAN: Do you agree or not?

SHRI SAROJ CHAUDHURY: The question of agreeing does not arise. We do not agree.

MR. CHAIRMAN: Under this Act all the service rules and regulations are to be framed. If there are any hardships caused to any employees, then Committee can go into them.

SHRI SAROJ CHAUDHURY: Parliament has got the power. The mere fact that the Bill has been not put on the statute book shows it.

MR. CHAIRMAN: Do you know about the principle of equal pay for equal work?

SHRI SAROJ CHAUDHURY: Yes, Sir.

MR. CHAIRMAN: The emoluments which are given to the LIC employees are higher than the Central Government employees. Is it not?

SHRI SAROJ CHAUDHURY: No, Sir.

MR. CHAIRMAN: Can you give me a comparative table?

SHRI SAROJ CHAUDHURY: It cannot be done immediately.

MR. CHAIRMAN: You can send it to us within a week.

SHRI SAROJ CHAUDHURY: The Central Government employees have the benefit of the Central Government Health Scheme, staff quarters and others also. In terms of money and emoluments alone the comparison is truncated.

MR. CHAIRMAN: If you can suggest certain amendments to the Bill it will be good. Have you mentioned in your memorandum?

SHRI SAROJ CHAUDHURY: We are all employees of the LIC.

SHRI K. A. RAJAN: Is your association an independent association?

SHRI SAROJ CHAUDHURY: Independent in the sense that we are not affiliated to any of the central unions.

SHRI K. A. RAJAN: What is the percentage of the employees in your association?

SHRI SAROJ CHAUDHURY: About 75 per cent.

SHRI K. A. RAJAN: There are other all India associations also, I think.

MR. CHAIRMAN: They have given in the first paragraph of their memorandum.

SHRI K. A. RAJAN: What is the reaction of most of the unions to this Bill?

SHRI SAROJ CHAUDHURY: As far as I know, all associations are opposing the Bill including Class I & II officers.

SHRI K. A. RAJAN: Just now, Chairman was asking about the anomalies in the wage structure. Who is responsible for it?

SHRI SAROJ CHAUDHURY: The Government's policy is responsible for it. The Bank employees get more money.

SHRI BRAJ MOHAN MOHANTY: Do you seriously believe that if the LIC is split up, the work will be hampered?

SHRI SAROJ CHAUDHURI: Whatever advance that has been made may be hampered.

SHRI BRAJA MOHAN MOHANTY: According to you, if the districts are made separate units, the LIC can go closer to rural areas.

SHRI SAROJ CHAUDHURI: In the matter of intensive development it may be ideal.

SHRI BRAJA MOHAN MOHANTY: You say that the LIC a monolithic structure, is better compared to other structures. Do you think that it is the ideal establishment or do you suggest some other one?

SHRI SAROJ CHAUDHURI: The experience of the last 20 years shows that this is the best arrangement for the country.

SHRI BRAJA MOHAN MOHANTY: In spite of this best arrangement being provided you are also aware that it is not providing better service.

SHRI SAROJ CHAUDHURI: We have been requesting the Government of India to ask the LIC to open more office in the rural areas to formulate new schemes of the LIC business suitable to the rural people and to make other changes so that people in the rural areas will be benefited.

MR. CHAIRMAN: For this very purpose Clause 9 is there. See Clause 9(1) "(a)...be primarily responsible for the intensive development of life insurance business."

SHRI SAROJ CHAUDHURI: Intensive development does not mean only rural areas.

SHRI BRAJA MOHAN MOHANTY: How to remove the regional imbalance in the country in the field of life insurance?

SHRI SAROJ CHAUDHURI: This cannot be removed by splitting the Corporation. This can only be removed by giving a greater thrust to rural business in those areas.

SHRI BRAJA MOHAN MOHANTY: By splitting the corporation more emphasis

will be given to rural areas and they will have specific responsibilities for different regions.

SHRI SAROJ CHAUDHURI: The present structure of the LIC is no hindrance in spreading the business in rural areas.

SHRI BRAJA MOHAN MOHANTY: You have said that if the zonal corporations are set up there will be unethical competition. On what basis do you have that opinion? When there is a Board to look into that aspect then how do you feel that this unethical competition will be there?

SHRI SAROJ CHAUDHURI: When the corporations are autonomous, how can the Board restrict an autonomous corporation to check unethical competition?

MR. CHAIRMAN: Even in the new set up the Board is to be set up and the Board will have all powers. Moreover, this is not a Government Department but five independent corporations.

SHRI SAROJ CHAUDHURI: When the LIC began its journey in 1956 there was an element of autonomy and with the passage of time it has disappeared.

SHRI BRAJA MOHAN MOHANTY: Would you like the present monolithic structure to be hundred per cent independent?

SHRI SAROJ CHAUDHURI: We want that the Corporation should be more autonomous than what it is at present. Whatever autonomy is provided in the statute should be given to the corporation in practice.

SHRI BRAJA MOHAN MOHANTY: If this Bill becomes an Act whether the corporations as envisaged in the Bill, will be more independent or dependent upon Government?

SHRI SAROJ CHAUDHURI: The corporations envisaged in the Bill will be more dependent on the Government than the present Corporation.

SHRI BRAJA MOHAN MOHANTY: You have quoted one passage from the observations of the ILO.

I would like to know whether, except in this paragraph, there is any other paragraph in the Report which expresses its opposition?

SHRI SAROJ CHAUDHURI: The ILO has expressed its opposition against the deployment of legislative powers to change anopartite settlement.

SHRI SUKOMAL SEN: I would like to know from you whether it is a fact that the LIC employees get less than the nationalised Banks?

SHRI SAROJ CHAUDHURI: Yes Sir. I would go a step further and say that the LIC employees are the, ploritarian of the middle class sector.

SHRI SUKOMAL SEN: You also favour the decentralisation of the LIC. You say that the suggestion of splitting the LIC is something accidental. Do you feel that this can be achieved by investing the Zonal, Division and Branch offices with more powers?

SHRI SAROJ CHAUDHURI: Yes, this can be achieved fully. In this set up itself decentralisation can be done in a much better way. It can be done in a phased manner.

SHRI SUKOMAL SEN: In certain districts still the LIC branches have not been opened. What is the reason for that? Is it due to over-centralisation at the Bombay Office?

SHRI SAROJ CHAUDHURI: Yes. This is one of the main reasons. Because of centralisation and because it is working underconstraints.

SHRI SUKOMAL SEN: What are the constraints?

SHRI SAROJ CHAUDHURI: Limitation on expenses, too much emphasis on new business is there and the economic viability of new branches is over-stressed. If those constraints are removed, the LIC can expand more rapidly. If decentralisation is done in a much planned manner, the LIC can expand much more.

श्री राम लाल राही : आपने इस बिल को अग्रोन्न किया है, लेकिन मैं इस बिल के उद्देश्यों की तरफ आपका ध्यान आकर्षित करना चाहता हूँ जिसमें कहा गया है कि अब तक एल आई सी के कार्य का विस्तार शहरी क्षेत्रों तक ही सीमित रहा है और ग्रामीण क्षेत्रों में उसको फैलाने के लिए यह बिल लाया जा रहा है। मेरे विचार में आप इसके उद्देश्यों का तो विरोध नहीं कर रहे हैं।

श्री बी० एस० शर्मा : जी नहीं, हम इसके उद्देश्यों का विरोध नहीं कर रहे हैं।

श्री राम लाल राही : जब आप इस बिल के उद्देश्यों का विरोध नहीं कर रहे हैं तो क्या आप समझते हैं कि इन उद्देश्यों की प्राप्ति वर्तमान एल आई सी अधिनियम में ही कुछ संशोधन लाकर की जा सकती है। यदि नहीं, तो उन उद्देश्यों को कैसे प्राप्त किया जा सकता है?

श्री बी० एस० शर्मा : ऐसे बहुत से मसले हैं, जिन पर ध्यान देने की आवश्यकता है और उनमें चेंज आनी चाहिए। जैसे एल आई सी का एक मुख्य उद्देश्य यह भी है कि पोलिसी होल्डर्स को बटर रिटर्न मिलनी चाहिए। आजकल सबसे ज्यादा पोलिसी होल्डर्स से यही शिकायत सुनने को मिलती है कि उन्हें बटर रिटर्न नहीं मिल रही है? इस बिल के अंदर इस संबंध में कोई मेशन नहीं है। जब तक उनको बटर रिटर्न के साथ-साथ दूसरी सहूलियतें नहीं मिलेंगी, उनको और अधिक आकर्षित नहीं किया जा सकता। इस के अलावा सेविंग्स के बकई दूसरे मीडिया भी मौजूद हैं।

श्री राम लाल राही : यदि एल०आई० सी० के वर्तमान अधिनियम को ही जारी रहने दिया जाए, उसको पांच भागों में स्प्लिट न किया जाए तो क्या उसका विस्तार ग्रामीण इलाकों तक करना सम्भव है। क्योंकि इस बिल का उद्देश्य ही यही है। बीमा कार्यालय शहरी क्षेत्रों तक ही सीमित रहे हैं, ग्रामीण इलाकों में उनकी कोई उल्लेखनीय प्रगति नहीं हुई है। इस बिल के पास हो जाने के बाद इस के कार्यक्रम में जिस कुशलता की अपेक्षा की जाती है, क्या आपके विचार में वैसी कार्य-कुशलता बिना इसको पास किए हुए प्राप्त की जा सकती है और ग्रामीण इलाकों तक इसका फैलाव किया जा सकता है तथा पीलिसी धारकों को मिलने वाली सुविधाओं में वृद्धि की जा सकती है।

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श्री बी० एस० शर्मा : वर्ष 1968 में पब्लिक ग्रैंडरटेकिंग्स कमेटी ने गवर्नमेंट को अपनी रीकमैण्डेशन देते हुए सिफारिश की थी कि लाइफ इन्श्योरेंस कापीरेशन को भी स्टेट बैंक ऑफ इण्डिया के पैटर्न के अनुसार नेशनलाइज कर दिया जाना चाहिए। यदि उस समय गवर्नमेंट ने कमेटी की सिफारिशों को मानते हुए, एल०आई० सी० को नेशनलाइज कर दिया होता तो आज इतनी सारी चीजें देखने में न आतीं और कुछ दूसरा ही नक्शा सामने होता। इस बिल का उद्देश्य भी यही है कि इस के ढांचे का थोड़ा ठीक बनाया जाए। लेकिन आज हमारे सामने कुछ लिमिटेशन्स हैं, जिनके कारण हम उन उद्देश्यों की पूर्ति नहीं कर पाए, जो हमने एल०आई० सी० के राष्ट्रीयकरण के वक्त सामने रखी थीं।

समाप्ति सहोदय : आप उस एक्ट में क्या संशोधन चाहते हैं, उस बारे में गुमाव है।

श्री राम लाल राही : यदि उन उद्देश्यों की प्राप्ति के लिए वर्तमान एल०आई० सी० एक्ट, 1956 में ही कुछ संशोधन करके कार्य किया जाए तो आपके विचार से लाभ हो सकता है, या नहीं।

श्री बी० एस० शर्मा : जी हां, कुछ लाभ मिल सकता है।

श्री राम लाल राही : आप स्पष्ट रूप से बताइये कि वर्तमान एक्ट में आप किस तरह के और कहां संशोधन करवाना चाहते हैं ताकि बिना इसको पांच भागों में विभक्त किए उन उद्देश्यों की प्राप्ति किया जा सके जिनके लिए यह बिल लाया गया है। आप हमें उनको लिख कर दे दीजिएगा।

श्री बी० एस० शर्मा : ठीक है, जी।

श्री राम लाल राही : मेरी धारणा है कि एल आई सी के प्रसार में सरकार की ओर से कोई सहयोग नहीं मिला ताकि इसके काम को बढ़ाया जा सकता। उदाहरण के लिए आप परिवार नियोजन कार्यक्रम को ही ले लीजिए, उसके प्रचार के लिए हमारे रेडियो, टेलीविजन और अखबार आदि प्रचार-साधनों ने जो भूमिका अदा की, उसी का परिणाम यह हुआ कि आज गांव-गांव में लोग परिवार-नियोजन की महत्ता समझने लगे हैं, जब कि पहले लोग इसके लिए तैयार तक नहीं होते थे। इसी तरह अल्प-व्यय के लिए भी इन साधनों से सहायता मिलती है। यदि इसी तरह से एल आई सी का संदेश भी जन-जन तक पहुंचाया गया होता तो क्या आपके विचार में उससे कुछ लाभ

मिलने की आशा थी अथवा नहीं। जब जनता को इसकी विशेषताएं और लाभ के बारे में जानकारी मिलती तो वे इसकी ओर अधिक मात्रा में आकर्षित होते, एल आई सी का काम गांव-गांव तक फैल गया होता और बड़ी संख्या में लोगों को पोलिसी लेने के लिए तैयार कर लिया गया होता। आपका क्या विचार है।

श्री बी० एस० शर्मा: आप की धारणा बिल्कुल सही है क्योंकि हमारी राजस्थान सरकार ने वर्ष 1958-59 में ग्रामीण क्षेत्रों में प्रचार करके काफी फायदा उठाया था। जैसा आप जानते हैं, राजस्थान में ग्रामीण मंचल ज्यादा है, वहां पर गांव के हर ब्लॉक डेवलपमेंट आफिसर्स को उस कार्यक्रम में एसोशियेट करके जब प्रचार किया गया तो निगम को उससे काफी सहायता मिली। यदि इसी तरह एल आई सी के कार्य को भी संचार-साधनों के जरिए लोगों तक पहुंचाया जाए तो उससे भी निश्चित तौर पर लाभ मिलने की संभावना है। उस समय काफी लोगों ने सहयोग दिया था।

श्री राम लाल राही: आपका मतलब है कि एल आई सी के काम का प्रचार नहीं हो रहा है।

सभापति महोदय: इनका कहना है कि प्रचार नहीं हो रहा है।

SHRI LAL K. ADVANI: Only one request I would like to make. How far this Bill increases the control of the Government over Life Insurance Corporation? You say that even on minor matters like dotting the i's and dashing the t's the LIC has to go to the Central Government, and that under the proposed Bill the stranglehold of the Government on the LIC would increase. We also have a feeling that perhaps this is a major constraint on the growth of LIC. Can

you prepare a case—a specific case not in general terms? Secondly can you on this very score compare the two statutes—the first Act as it existed and the Bill as proposed and how you say under the present Bill the Government's powers over the LIC shall be enhanced considerably? You are the oldest organisation dealing with insurance employees. Perhaps there are many matters which will be known to the management and which they would not be willing to say. But you don't suffer from such inhibitions. Can you make up a case in this regard.... The Committee would be grateful if you can prepare a brief note on this aspect and submit it.

SHRI CHANDRA SEKHAR BOSE: We will submit.

SHRI SUNIL MAITRA: Just to illustrate the point of Mr. Advani, was there a Supreme Court case in 1981 regarding bonus? You went to the Supreme Court on the LIC employees' bonus after LIC made some amendment regarding bonus.

SHRI CHANDRA SEKHAR BOSE: We did.

SHRI SUNIL MAITRA: In the first instance you won the case in the Supreme Court.

SHRI CHANDRA SEKHAR BOSE: Yes.

SHRI SUNIL MAITRA: Even after the Supreme Court gave judgement in your favour, the LIC ran to the Government to obtain permission for the implementation of the judgement of the Supreme Court.

SHRI CHANDRA SEKHAR BOSE: Yes.

SHRI SUNIL MAITRA: Are you aware that only 2 months back GIC also had referred the case to the Supreme Court regarding two of their employees' service conditions. Now the General Insurance Corporation Act provides that the General Insurance Corporation enjoys enough autonomy. In this case also when the Supreme Court gave a judgement is it not a fact that the General Insurance Corporation had to run to the Finance Ministry even to allow them to pay the outstanding DA to its employees?

SHRI CHANDRA SEKHAR BOSE:
Yes, Sir.

SHRI SUNIL MAITRA: Therefore, notwithstanding the fact that there was a statutory provision regarding the autonomy of both the LIC as well as the General Insurance Corporation all these years, this statute of 1956 actually in practice meant that the LIC management had to run to the Government of India every now and then for sanction in order to give anything to the employees. Even in the matter of opening branches the LIC Act gives specific power to the LIC management, but they have to obtain previous permission of the Government of India.

SHRI CHANDRA SEKHAR BOSE:
Yes, Sir.

Even in a small matter like payment of festival advance—to raise it from Rs. 500 to Rs. 700 the LIC has to go to the Government. Even for cycle advance, they need the sanction of the Government.

SHRI LAL K. ADVANI: We would like you to give specific instances.

SHRI SUNIL MAITRA: You believe in this philosophy of equal pay for equal work.

SHRI CHANDRA SEKHAR BOSE:
We do.

SHRI SUNIL MAITRA: Are you aware that the Central Government employees working in the Central Secretariat yet more pay than the Central Government employees working in other places?

SHRI CHANDRA SEKHAR BOSE:
We are aware.

SHRI SUNIL MAITRA: Are you aware that the Central Government employees are getting more pay than the State employees?

SHRI CHANDRA SEKHAR BOSE:
Yes, Sir.

MR. CHAIRMAN: Can you give me the figures?

SHRI SUNIL MAITRA: Are you aware that the bank employees get more than the LIC employees?

SHRI CHANDRA SEKHAR BOSE:
Yes, Sir.

SHRI SUNIL MAITRA: Are you aware that the Reserve Bank employees get more pay than the other bank employees?

MR. CHAIRMAN: You give me the details of the emoluments the bank employees get, the Central Government employees get and the LIC employees get.

SHRI SUNIL MAITRA: You give all the details—what the Reserve Bank employees get, the nationalised bank employees get, the LIC employees get, the Central Secretariat employees get, the Central Government employees get and the State Government employees get.

SHRI SUKOMAL SEN: We can get it from the Government.

MR. CHAIRMAN: Why not from the learned witness? He is a knowledgeable person.

SHRI RAMESHWAR THAKUR: In your memorandum you have been good enough to summarise your contentions on page 57 and you have made 18 submissions. In submissions (1) you have said that the monolithic structure of the LIC has taken deep roots firmly and achieved substantial progress in respect of physical targets, operational efficiency, etc., etc. In this connection I have two questions to ask. You have given certain figures on page 36 of your memorandum in regard to mopping up rural savings and you have summarised to say that in spite of so many limitations in mopping up rural savings, the LIC has made considerable progress in the field also. Now, the Sezhiyan Committee report on page 30—table VI-9 gives proportion of household savings going into life insurance. In 1971 it was 11.4 per cent and it has come down to 7.4 per cent in 1977. Therefore, your figures do not tally with the Sezhiyan Committee's figures which are actually the Reserve Bank figures and how do you reconcile. You seem to have been misled while assessing the LIC's achievements.

SHRI CHANDRA SEKHAR BOSE:

This can be divided into two parts. As far as the percentage is concerned, as the national income goes up, the percentage may not go up in the same proportion. Secondly, this again is a result of the Government policy.

SHRI RAMESHWAR THAKUR:

We are talking on the share of LIC.

SHRI CHANDRA SEKHAR BOSE:

What is rather more important is that the Government to-day is doing everything to tap the savings of potential policy-holders in various ways like National Savings Certificates postal savings, Unit Trust etc. etc. The Government in fact is encouraging defections from LIC to other modes of savings.

That point may be a diversion from your main assertion. Anyway, the second question about the overall economic growth in the field of agriculture, industry and other sectors, may be relevant for the growth of population. Since 1956 whatever figures you take, the growth is slow, as there may be constraints. You have elsewhere mentioned this in the memorandum also. But the growth has been slow as compared to the other sectors.

SHRI SAROJ CHAUDHURI: We have considered this question. Our point is that as far as the population is concerned, 50 per cent of the population do not have any savings. This is also mentioned in N.C.A.E.R report that 87 per cent of the people do not have the capacity to pay insurance premium. It also says that the contribution of the agricultural sector in the national income has declined despite the progress in the country.

SHRI RAMESHWAR THAKUR:

You have stated for items Nos. 3 and 4. Is it not correct to say progressive thinkers in the country think that the economic power should be decentralised?

SHRI SAROJ CHAUDHURI: Economic Power should be decentralised. But re-structuring of the LIC is not decentralising economic power.

SHRI RAMESHWAR THAKUR:

If there are five corporations, they can take more intensive rural business and other business also.

SHRI SAROJ CHAUDHURI: That remains to be seen.

SHRI RAMESHWAR THAKUR:

It is seen that rural business is much lower than it is expected. What is your view on this?

SHRI SAROJ CHAUDHURI: The constraints imposed by the Government operate more in the rural areas.

SHRI RAMESHWAR THAKUR:

You have stated that the premium rates should be reduced and that the bonus should be increased in items Nos. 7 and 8. How do you reconcile it, with the discussion just now about the premium rates which were reduced in 1956, per thousand but thereafter there has been no increase in line with the increase in the costs and other factors. The premium rates should be increased. There is a plea like this. What have you to say?

SHRI SAROJ CHAUDHURI: LIC is about the only organisation in the country which has not raised its rates. With the financial stability achieved and the changes in the investment pattern, there is even now scope for reduction of premium rates and increasing the bonus.

SHRI RAMESHWAR THAKUR:

Your view is that the premium rates should not be raised and bonus should be increased.

SHRI SAROJ CHAUDHURI: Yes.

Our point is that these can come one after the other. The bonus should be increased first and the reduction of premium can come later.

SHRI RAMESHWAR THAKUR:

You are just putting the cart before the horse.

SHRI SAROJ CHAUDHURI: Our contention is that both should be done.

MR. CHAIRMAN: You have already answered.

SHRI RAMESHWAR THAKUR: In item No. 10 you have stated that it is purely administrative in nature, that LIC's work is purely of administrative nature. What are your suggestions for improving the administrative structure?

SHRI SAROJ CHAUDHURI: Dispersal of powers and functions; not consolidation of powers to the higher organisation.

SHRI RAMESHWAR THAKUR: Powers given to the regional corporations will not be all right, you mean.

SHRI SAROJ CHAUDHURI: No.

SHRI RAMESHWAR THAKUR: Splitting apart, you say that it would create regional imbalances. You say that the Central and Eastern zones will be financially weak in the long run. You have given certain figures in the memorandum. You have given some figures about investment and for improvement in business also. Still you say that bifurcation should not be done. There is a thinking that there should be faster growth and to that extent LIC does not contribute to this. I think your statement that the Central and Eastern Zones will not be financially viable is not borne out by facts.

SHRI SAROJ CHAUDHURI: Please see page 41 where we have mentioned about the zone-wise distinctions. The area has got nothing to do with the economic viability.

SHRI RAMESHWAR THAKUR: No. The area has got to do something with it. The eastern sectors is not deficient in area-wise, population wise and business wise. If you take last year's business, the growth of business in the eastern region was higher. So, your apprehension in Item No. 14 is not sound because there is a lot of potential on account of larger area, population and business potential.

SHRI SAROJ CHAUDHURI: If you take population, we are the second largest country in the world, but we are one of the poorest.

MR. CHAIRMAN: You have already replied to that point.

SHRI KUSUMA KRISHNA MURTHY: There is an impression given before the Committee that there is sufficient decentralisation of powers. Then you said that many districts of the country have not been touched by the LIC. How would you reconcile these two statements.

SHRI SAROJ CHAUDHURI: The operation of LIC is under the surveillance of Government. There have been proposals periodically but the Government did not allow it. Moreover, there has not been any direction from the Government in this behalf.

श्री राम लाल राही : क्या प्राची पता है कि एल आई सी का पिछले कुछ समय से कोई चेंबरमन नहीं है। कब से नहीं है ?

श्री सरोज चौधरी : जी हाँ, पिछले तीन सालों से एल आई सी का कोई चेंबरमन नहीं है। वह टावलेंस है।

श्री राम लाल राही : क्या यह भी एक कारण है कि एल आई सी का चेंबरमन न होने के कारण भी इसके काम का प्रामीण क्षेत्रों तक फैलाव करने में कठिनाई रही है।

श्री सरोज चौधरी : जी हाँ।

MR. CHAIRMAN: Thank you very much. Please send the required information as early as possible.

(The witnesses then withdrew)

III—United Movement of Workers, Employees and Teachers, Calcutta

Spokesmen :

1. Shri Bhabatosh Roy
2. Shri Barada Bhattacharjee

(The witnesses were called in and they took their seats).

MR. CHAIRMAN: Before you start, I may point out that in accordance with the provisions contained in Direction 58

of the Directions by the Speaker, your evidence shall be treated as public, and is liable to be published, unless you specifically desire that all or any part of the evidence given by you should be treated as confidential. Even though you might desire your evidence to be treated as confidential, such evidence is liable to be made available to the Members of Parliament.

You have given a long memorandum covering so many points. Do you want to say something more?

SHRI BHABATOSH ROY: No, Sir. We represent 12 lakh workers, employees and teachers.

MR. CHAIRMAN: Do you suggest some amendments to certain clauses of the Bill.

SHRI BHABATOSH ROY: We are totally opposed to this Bill.

MR. CHAIRMAN: Do you object even to the object of the Bill?

SHRI BHABATOSH ROY: When the Bill is not there, then there is no object.

MR. CHAIRMAN: Do you know what is the objective of the Bill?

SHRI BHABATOSH ROY: The object of the Bill is very much stated here. The objectives stated in the Bill can be very much effectively served by the present Organisation. Therefore, a Bill which has a purport to reconstruct the entire LIC organisation for so and so objectives is unnecessary and at the same time according to our judgment and belief it will be harmful both for the policy-holders as well as the nation as a whole.

MR. CHAIRMAN: Thank you very much.

(The witnesses then withdrew)

IV—Shri Kalyan Dutt, Professor of Economics, Jadavpur University, Calcutta

(The witness was called in and he took his seat)

MR. CHAIRMAN: Before you start your evidence, I would like to make it clear to you that your evidence shall be treated as public and is liable to be pub-

lished, unless you specifically desire that all or any part of the evidence given by you is to be treated as confidential. Further, I may also explain it to you, even though you might desire your evidence to be treated as confidential, such evidence is liable to be made available to the Members of Parliament.

I hope you have gone through the Bill.

SHRI KALYAN DUTT: Yes, Sir.

MR. CHAIRMAN: Do you agree with the principle of the Bill at least?

SHRI KALYAN DUTT: I oppose it entirely.

MR. CHAIRMAN: So, you totally oppose the Bill.

SHRI KALYAN DUTT: Yes, Sir.

MR. CHAIRMAN: Do you suggest any amendments in this Bill? Suppose we say this Bill was passed, can you suggest me certain amendments in the Clauses of the Bill?

SHRI KALYAN DUTT: No.

MR. CHAIRMAN: So you have given your reasons in the Memorandum for opposing this Bill.

SHRI KALYAN DUTT: Yes, Sir.

SHRI VITHALRAO MADHAVRAO JADHAV: In item 3 of your Memorandum, you have said that the primary aim of the LIC is to promote among the people the propensity to save for the long run and develop resources for the long gestation period investments. If these two things are not matched there will be an ever-increasing investment-savings gap adding to inflationary potential. In the present inflationary situation there is growing tendency of switching from long term savings to short term savings and from investments in financial assets to non-financial assets. This tendency can be counteracted to some measure by encouraging saving habits. By passing this Bill and by the split of the LIC into five different Zonal Corporations don't you feel that it will be possible to collect the long-term investments in the LIC?

SHRI KALYAN DUTT: I have explained in the Memorandum that if the split takes place, then practically there will be a tendency of those zonal LIC, who find themselves at a weaker position, to cater to some sort of customers who prefer short-term maturity policies rather than long term ones. Since I said there is already an increased inflation and there is a tendency to switch from long-term to short-term savings and from financial to non-financial assets, obviously if there is a split, then each zonal LIC will be in a weaker position. And in order to make up for their weaknesses they will cater to those subscribers and policy holders who prefer to short-term maturity rather than long-term maturity.

SHRI VITHALRAO MADHAVRAO JADAV: That means you agree in principle that the different zonal Corporations, if they are set up, they must go to short-run investment?

SHRI KALYAN DUTT: In fact, the very purpose of the LIC is to promote long-term savings. But I feel if LIC is split up and there is competition, there is a tendency for going in for short-term savings rather than long-term savings.

MR. CHAIRMAN: Is it correct that competition gives you better results?

SHRI KALYAN DUTT: Not always.

श्री राम लाल राही : आपने इस बिल का टोटली अपोज किया है, शायद उससे पहले आपने इस के प्रोजेक्ट्स को पढ़ लिया होगा। क्या आप एल आई सी के डीसेंट्रलाइजेशन के भी विरुद्ध हैं ?

SHRI KALYAN DUTT: I am in favour of decentralisation within the unitary set up.

श्री राम लाल राही : आप इस हक में हैं कि एल आई सी में पावर्स का डीसेंट्रलाइजेशन होना चाहिए और एल आई सी का काम गांवों के लेवल तक

पहुंच सके, इसके लिए इसकी कंशनिंग और आफिसर्स में यथोचित डीसेंट्रलाइजेशन हो ।

MR. CHAIRMAN: He has already agreed with your point.

श्री राम लाल राही : यदि आपके अनुसार एल आई सी के एक भाग का डीसेंट्रलाइजेशन किया गया तो बाकी बाँचा तो बैसे का बैसे ही रहेगा जिसके कारण आज तक गांवों के लेवल तक नहीं पहुंचा जा सका। बिना पूरा डीसेंट्रलाइजेशन किए, आप किस तरह समझते हैं कि गांवों के लेवल तक पहुंचा जा सकता है। गांवों के लोग एल आई सी का कैसे फायदा उठा सकते हैं।

SHRI KALYAN DUTT: In the unitary set up the delegation of powers down the hierarchy to the rural branches may be concentrated. Some infrastructure can be there.

श्री राम लाल राही : क्या आपको इस बात की जानकारी है कि एल आई सी के चैयरमैन का पद पिछले तीन सालों से रिक्त है।

SHRI LAL K. ADVANI: Are you aware that the post of Chairman of LIC has been vacant for the last 3 years?

SHRI KALYAN DUTT: I am not aware of it.

SHRI RAMESHWAR THAKUR: You are an economist. You have mentioned about regional imbalances. Do you think these imbalances can be removed? What is the role of the LIC here?

SHRI KALYAN DUTT: The removal of regional imbalance is more the responsibility of the Government or the Planning Commission and if they want to give this responsibility and entrust it to LIC alone, that will be a grave mistake.

SHRI RAMESHWAR THAKUR: You have said the LIC is suffering from many handicaps. Don't you think that there is a lot of potential in the Eastern Region where sufficient efforts have not been made in spite of the large percentage of weaker sections there, larger population and mineral resources. We have not been able to cater to them sufficiently and if there is an intensive business in this area, possibly we can come up to the other regions.

SHRI KALYAN DUTT: Initially what is required is that this region needs special help. But you cannot do that or subsidise them if LIC is split up. That is my central contention.

SHRI RAMESHWAR THAKUR: It is not borne by facts. You have given us a suggestion to say that the policies in the eastern and other regions should be subscribed from the surpluses of other regions. There is no such arrangement to-day. Is it possible if there are five corporations?

SHRI RAMESHWAR THAKUR: You would like the economic power to be decentralised. If in this process instead of having a heavy structure at one place, if five organisations are available at 5 places, will it not have a better thrust in those areas to develop rural business?

SHRI KALYAN DUTT: As far as I could understand the question of the hon. Member, perhaps he wants me to answer this question whether decentralisation of economy is for the better or not. To me it appears to be rather a vague question because I am not against decentralisation. But I want decentralisation within a unitary set up. Both centralisation and decentralisation is necessary. As I have already told you northern and western zones are comparatively better off compared to eastern and central zones. Take for instance, the Railways. They have zonal railways and they cannot be autonomous zones with autonomous responsibility. There has to be some redistribution and allocation of work and for that I want the LIC should be a unitary set up.

SHRI RAMESHWAR THAKUR: According to your suggestion you propose that the policies in the eastern and central Zones should be subscribed by the surpluses of other zones. Is it practical?

SHRI KALYAN DUTT: I do not know whether it is practical because I do not have the allocations, surpluses, budget and so on.

SHRI RAMESHWAR THAKUR: You think that the employees and the policy-holders of the other regions will not resent to it as also the people of that area?

SHRI KALYAN DUTT: If they object, then it means the objection will not be valid or in the interests of the nation. Always in our economic policies don't you subsidise some regions out of the surpluses of other regions?

SHRI SUKOMAL SEN: You are an eminent economist. In para 9 of your memorandum you have said 'Agriculturist house-holds having investible surpluses are more likely to invest in non-financial assets than in buying policies.' Have you any idea about what percentage of agriculturists have some investible surpluses?

SHRI KALYAN DUTT: There is no such survey I have come across.

SHRI SUKOMAL SEN: It is only these farmers who have 10 acres and above have got some investible surpluses.

SHRI KALYAN DUTT: Their number is very few.

SHRI SUKOMAL SEN: That means that they have power. Do you mean by that that for the expansion of LIC business in rural areas splitting is no solution but some sort of socio-economic requirements has to do there.

SHRI KALYAN DUTT: Of course, I do believe. I have also said for weaker sections there must be some subsidised policies.

SHRI SUNIL MAITRA: As you have rightly pointed out, LIC premium income in the eastern sector and the central sector is less and the expenditure is more—compared to the western, southern and northern sectors. Although the income is less and expenditure is more, the LIC policyholders are being paid the same bonus and the same rate of bonus. So, in other words, if I submit to you that the surplus zones are actually subsidising the deficit zones, am I wide off the mark?

SHRI KALYAN DUTT: No, no. That is precisely my point.

MR. CHAIRMAN: Have you gone through the Era Sezhiyan Committee report?

SHRI KALYAN DUTT: No, I have received only the Bill.

MR. CHAIRMAN: This report was submitted to Government. You know the purpose which is required to be served,

namely serving the policy holders is not satisfactorily served.

SHRI KALYAN DUTT: I feel that there is much to be done.

MR. CHAIRMAN: So you feel that it requires much improvement.

SHRI KALYAN DUTT: Specifically in the statement of objects, it has been mentioned, but I do not agree.

MR. CHAIRMAN: Can you suggest any amendment to the Bill?

SHRI KALYAN DUTT: If we want to have a better service there should be some more powers.

MR. CHAIRMAN: Can you give me any suggestions?

SHRI KALYAN DUTT: Not at the moment. I will send them.

MR. CHAIRMAN: Thank you.

(The witness withdrew)

The committee then adjourned

RECORD OF EVIDENCE TENDERED BEFORE THE JOINT COMMITTEE ON THE LIFE
INSURANCE CORPORATIONS BILL, 1983

Friday, 6 July, 1984 from 1000 to 1100 hours and again from 1500 to 1700 hours
in Committee Room 'D' Ground Floor, Parliament House Annexe, New Delhi.

PRESENT

Shri Mool Chand Daga—Chairman

MEMBERS

Lok Sabha

2. Shri Satish Agarwal
3. Shri M. Arunachalam
4. Shri Dileep Singh Bhuria
5. Shri Bhiku Ram Jain
6. Shri Kamal Nath Jha
7. Shri Ghayoor Ali Khan
8. Shri K. Mallanna
9. Shrimati Kailash Pati
10. Shri Braja Mohan Mohanty
11. Shri Kusuma Krishna Murthy
12. Shri Ram Pyare Panika
13. Shri Janardhana Poojary
14. Shri Ram Lal Rahi
15. Shri Natvarsinh Solanki

Rajya Sabha

16. Shri Vithalrao Madhavrao Jadhav
17. Shri Akshay Panda
18. Shri Sudhakar Pandey
19. Shri R. Ramakrishnan
20. Shri Sukomal Sen
21. Shri Rameshwar Thakur

SECRETARIAT

1. Shri S. D. Kaura—Chief Legislative Committee Officer.
2. Shri R. S. Mani—Senior Legislative Committee Officer.

REPRESENTATIVES OF THE MINISTRY OF FINANCE (DEPT. OF ECONOMIC AFFAIRS)
(INSURANCE DIVISION)

1. Shri H. M. S. Bhatnagar—Additional Secretary.
2. Shri R. K. Mahajan—Controller of Insurance.
3. Shri S. K. Purkayastha—Director (Insurance)
4. Shri S. D. Raheja—Under Secretary.
5. Shri A. S. Gupta—Current-in-Charge and Managing Director (LIC)
6. Shri S. G. Subrahmanyam—Managing Director.

WITNESSES EXAMINED

Spokesmen:

1. Shri Ramji Ram, President.
2. Shri K. G. Tewari, General Secretary.
3. Shri R. M. Mishra, Joint Secretary.

(The witnesses were called in and they took their seats)

MR. CHAIRMAN: Before you start, I may point out that in accordance with the provisions contained in Direction 58 of the Directions by the Speaker, your evidence shall be treated as public, and is liable to be published, unless you specifically desire that all or any part of the evidence given by you should be treated as confidential. Even though you might desire your evidence to be treated as confidential, such evidence is liable to be made available to the Members of Parliament.

Let us start the meetings.

Do you agree with paragraphs 2 and 3 of the Statement of Objects and Reasons of the Bill?

SHRI K. G. TEWARI: We totally disagree with them.

MR. CHAIRMAN: Can you suggest certain amendments in the clauses?

SHRI K. G. TEWARI: We oppose, in toto, every clause.

MR. CHAIRMAN: Do you agree with any clause?

SHRI K. G. TEWARI: No, Sir.

SHRI BHIKU RAM JAIN: You have mentioned in your memorandum that LIC should be allowed to operate throughout the country like the State Bank of India etc. Will you agree with me that like the State Bank of India, if the LIC has another LIC, whatever may be the name given, it would be helpful for the general public?

SHRI K. G. TEWARI: So far as the functioning of banks is concerned, they do not have any competition. If that sort of competition is to be seen, that competition already exists in the LIC because every branch competes with the other branch every week every month.

SHRI BHIKU RAM JAIN: But the State Bank of India has got a similar organisation, staff and other things like the Punjab National Bank and others in the banking field working for a similar purpose, all owned by the Government.

They are having identical terms. The people have the choice to go to this bank or that bank, even though they do not have any monetary benefit. If there are different Corporations like LIC-1, LIC-2, LIC-3,.....LIC-20, whatever may be the name, in what way will it be of better advantage for the people?

SHRI RAMJI RAM: The State Bank of India and other nationalised banks are separate entities for the same purpose. These banks were nationalised in 1969; the State Bank of India was nationalised in 1955. So far as the other banks are concerned, the same interest is paid, the same policy is pursued, decided by the Government. Therefore, actually the competition whatever it may be called, for the purpose for which this Bill has been brought in, is not there. Serving the policy-holder is the only factor affecting the policy-holder.

SHRI BHIKU RAM JAIN: Competition within the banks is also not there. The same terms are there, the same commission is charged, the same interest is paid. But there are more banks in all the towns. Do you mean to say that the system of banking is not correct, because there are several banks working in the same place, working identically? If LIC has got identical branches working, will it be for the better? How do you compare the State Bank so many other banks side by side and LIC working alone?

SHRI K. G. TEWARI: The State Bank is also a monolithic organisation. But so far as banking business is concerned, it has got more volume of work.

SHRI BHIKU RAM JAIN: Do you mean to say that the volume of work does not warrant that there should be more corporations of LIC. Or, if the volume of work warrants do you agree that more corporations can be there for life insurance?

SHRI K. G. TEWARI: I was trying to compare the LIC with the State Bank of India. In case it is possible for the State Bank to manage it with 50,000

employees, how has LIC become monolithic with lesser number of employees?

MR. CHAIRMAN: You have mentioned this in the memorandum itself.

SHRI BHIKU RAM JAIN: I am only trying to compare the banking system with the LIC. You have these 8,800 branches and they are working in the larger interest of the people. The Government has also, though in other ways, been working the same away as the State Bank of India has been doing. Because the people have got the choice to go to the Punjab National Bank or any other Bank. So also, I should also have the choice to go to LIC-1, or LIC-2 by whatever names these corporations are to put in, at the same time all owned by the Government on identical terms, the purpose being the same. Will it be advantageous in the larger public interest, in your opinion or will it be disadvantageous?

SHRI K. G. TEWARI: The question is more theoretical rather than practical.

SHRI BHIKU RAM JAIN: We are also only discussing the theoretical aspects.

SHRI K. G. TEWARI: So far as banks are concerned, there is absolutely no competition, because the rate of interest is the same, and the other conditions are the same.

SHRI BHIKU RAM JAIN: Similarly, if there is no competition between the various different life insurance corporations, what difference does it make to the public?

SHRI RAMJI RAM: If you look at the Punjab National Bank and other banks, which were nationalised subsequently there is some difference. It is not the case with the LIC. LIC was nationalised in 1956. At that time they took a decision. The question of splitting the Corporation into five or more came up later. The Government thought that one Corporation would be sufficient to give proper service to the policy-holders. The Corporation set up in 1956 has been functioning very well and it has been accepted

by the hon. Finance Minister in the objects, in paragraph 1.

SHRI SUKOMAL SEN: When LIC was nationalised, you say that there were some 240 separate units. The Government nationalised and formed one Corporation. In the banking sector, the government came out with the nationalisation scheme but the separate identity of the banks was kept intact. The same rate of interest is paid, and they are functioning as the same organisation. But when the Government nationalised LIC, when they merged all the units into one, it was a well-considered decision of the Government. Do you mean to say that it does not warrant any change in the present context?

SHRI K. G. TEWARI: Yes.

SHRI SUKOMAL SEN: Is it possible, according to you, to expand business? How do you feel that this monolithic unit will be able to expand into other areas where there are no branches? What is the reason why LIC could not open branches?

SHRI K. G. TEWARI: I think only very few districts are left where the LIC could not open branches, like Lahol Spiti in Himachal Pradesh, Nagaland, or some places in Kashmir etc. These are the areas with no business potential whatsoever. Whether it is one monolithic organisation or not, it does not matter much.

SHRI SUKOMAL SEN: You have said in your memorandum that if LIC is split, it will stroke the fire of regionalism. What is the basis of your argument?

SHRI R. M. MISHRA: It is expected that re-structuring will result more business in rural areas. My point is that it is because of the decision of the Government that LIC could not expand and the reason being that even for a small thing Government's clearance has got to be needed. For opening a branch office, the sanction of the Central Government is needed.

MR. CHAIRMAN: Is there any directive which authorises the Government that no branch can be opened without the permission of the Government?

SHRI R. M. MISHRA: There is no directive, but that is what is happening in practice.

MR. CHAIRMAN: Do you know the objectives which were framed in 1974?

SHRI R. M. MISHRA: Yes.

MR. CHAIRMAN: Have we achieved those objectives upto now?

SHRI K. G. TEWARI: Section 9(c) of the LIC Act compels the Corporation to run it on business lines. That prohibits LIC in opening branches in rural areas, because it involves more cost. There is in the old Act section 6(3). That has been reproduced in the Bill in clause 9(c).

SHRI SATISH AGARWAL: That is why Government had to give directive under section 28 to the Corporation to open a branch at Silchar.

SHRI K. G. TEWARI: Yes.

SHRI BHIKU RAM JAIN: It was the discretion of the LIC to open a branch or not. How do you say that the Government's permission is required?

SHRI K. G. TEWARI: It is because of the question of business principle as has been explained.

SHRI BHIKU RAM JAIN: Who will decide that?

SHRI K. G. TEWARI: Presently the management is not existing. It is the Addl. Secretary of the Finance Ministry who is having the final say in the matter and he is virtually the Chairman of the LIC.

SHRI BHIKU RAM JAIN: If an Addl. Secretary of the Government of India or any other officer of the Government of India who is working in LIC, gives a permission, do you take it the permission of the Government?

SHRI SUKOMAL SEN: After the zonal corporations are formed, do you think there will be a demand that the money collected from a particular State should be invested in that State itself?

SHRI K. G. TEWARI: Even now we find that there are demands that the money collected from a particular State should be invested in that State only. If we have five corporations, naturally these States may demand that the money should be invested in their own States. This may create a sense of regionalism.

SHRI BRAJA MOHAN MOHANTY: Is your Federation associated or affiliated or connected with any national organisation?

SHRI K. G. TEWARI: No, Sir. Our Association is not affiliated to any Central trade union organisation. Our Association on All India basis is known as All India Insurance Employees Association and that body is not affiliated to any Central trade union.

SHRI BRAJA MOHAN MOHANTY: It is said that that body is closely associated with the Marxist Party of India. Is that true?

SHRI K. G. TEWARI: That is not known to me.

SHRI BRAJA MOHAN MOHANTY: Have you made any special study about the new Bill that has been introduced?

SHRI K. G. TEWARI: We have very carefully gone through the draft of the Bill and we find that this is an exercise in futile and is not at all needed.

SHRI BRAJA MOHAN MOHANTY: My question is whether you have made a study of this Bill?

SHRI K. G. TEWARI: We have studied the draft Bill.

SHRI BRAJA MOHAN MOHANTY: Have you studied about the control of the Government under the existing Act and in the proposed Act?

SHRI K. G. TEWARI: Presently, we find that it is over-controlled by the Government. For every little thing the management has to run to the Finance Ministry. In case this Bill is passed, the control of the bureaucracy will be further increased.

SHRI BRAJA MOHAN MOHANTY: My question is whether any indepth study has been made or not? If you have made such a study, then kindly give us a copy of your study.

SHRI K. G. TEWARI: No study paper has been prepared.

SHRI BRAJA MOHAN MOHANTY: About the splitting of the corporation you say that it will be a very expensive proposition and will encourage parochialism and all that. I say that the more decentralised an organisation is, it is more responsive to local causes.

SHRI K. G. TEWARI: I agree with you, sir.

SHRI BRAJA MOHAN MOHANTY: Then why are you opposing the splitting up? By splitting up the Corporation, there will be more local concentration.

SHRI K. G. TEWARI: By decentralisation we mean that the working of the Corporation should be decentralised and we should try to reach the policy holders at a nearer place. By decentralisation we do not mean that we should decentralise the Corporation into many corporations.

SHRI VITHALRAO MADHAVRAO JADHAV: How will it reach all the places until it is decentralised?

SHRI K. G. TEWARI: What we mean is if a policy holder comes to a particular branch, his entire needs should be met there only. This is exactly what we mean by decentralisation.

SHRI BRAJA MOHAN MOHANTY: Will the operational decentralisation be possible unless the corporation is split up?

SHRI VITHALRAO MADHAVRAO JADHAV: You have just now said that you oppose this Bill in toto. Don't you find even a single clause which is not fit to be opposed from your point of view?

SHRI K. G. TEWARI: According to our point of view, the entire Bill is uncalled for.

SHRI K. G. TEWARI: We have carefully gone through the Bill and we think that this Bill is absolutely uncalled for.

SHRI K. G. TEWARI: We have carefully gone through the Bill and we think that this Bill is absolutely uncalled for.

SHRI VITHALRAO MADHAVRAO JADHAV: There are so many other clauses also in the Bill which relate to settlement of claims and so many other things. Are they also not suitable from your point of view?

SHRI K. G. TEWARI: No, Sir.

SHRI VITHALRAO MADHAVRAO JADHAV: You have just now compared this LIC Bill with the State Bank of India's working. You know that LIC was nationalised in 1956 and the banks in 1969. But within these 13 or 14 years of their nationalisation, the banks have gone to the more common people than what the LIC has done during the last 24 years or so. You are comparing L.I.C. with one bank but there are 25 banks which have been nationalised. So, don't you feel that we are making a start in good direction by splitting the Corporation into five zonal corporations? Will it not serve the purpose like the nationalisation of banks to go to the common people of our country? Don't you think that this Bill has been introduced from that point of view?

SHRI RAMJI RAM: So far as nationalised banks are concerned, the object of government of going to the rural areas and rural people was not achieved by nationalisation. Therefore, it was felt necessary to establish regional rural banks as one of the ways of going to the rural people. For that a number of concessions have been announced by the Government of India. They are not working under the constraints under which the LIC has been working. According to this Bill, LIC is expected to run on business principles. The business principles say "I will open branches, if there is profit". But the branches of the rural banks are not run on those principles. They are given

various concessions, which are not available to the LIC, like 3 per cent less interest charged by the rural banks and only 25 per cent of the funds invested in Government, as against 37 per cent for other banks; also, $\frac{1}{2}$ per cent more interest is given by the rural banks to the depositors. Then, so far as commercial banks are concerned, there is the concept of the lead bank, which will penetrate into the rural area. That shows they are not running on business principles. So far as LIC is concerned, the money of the policyholders must be kept in tact.

श्री बिलीप सिंह भूरिया : आप यह जानते हैं कि भारत की जनसंख्या 76 करोड़ के करीब है जबकि दो-ढाई करोड़ लोग ही इन्श्योर्ड हैं, बाकी लोगों की लाइफ सिक्योरिटी नहीं है। लोगों में इस कारपोरेशन के प्रति असंतोष है। ग्रामीण बैंक की मूल पालिसी यह है कि गांवों में वित्तीय सहायता प्रदान करें। इसलिए मैं जानना चाहता हूँ कि आप, टोटल बिल के विरोध में हैं या किसी क्लाइंट के प्रति आप विरोध करना चाहते हैं ?

श्री के० जी० तिवारी : गांवों में, ग्रामीण बैंकों द्वारा कम इंटरेस्ट पर लोन दिया जाता है। अगर, इसी तरह सुविधाएं इस बिल में दी गई होतीं तो ज्यादा अच्छा था। 1976 में एल० आई० सी० ने नेशनल काउंसिल आफ एप्पाइड इकोनोमिक्स रिसर्च की सर्विसेज ली और यह पता लगाने की कोशिश की कि रूरल एरियाज में इन्श्योरेंस के मामले में कितना आगे बढ़ सकते हैं। उन्होंने बताया कि 87.5 परसेंट लोगों की इकोनामिक कंडीशन ऐसी है कि उनकी पालिसी लेने की कंपेसिटी है ही नहीं।

श्री बिलीप सिंह भूरिया : आपको मालूम है कि गांव की भाषा और कल्चर अलग है। क्या हमारा सहर का आदमी वहां जाकर काम करता है ?

श्री के० जी० तिवारी : ऐसा हुआ है कि गांव में जाकर काम करते हैं।

श्री बिलीप सिंह भूरिया : आपके पास इस बात का कोई हिसाब नहीं होगा कि आपने गांव में कितने एजेंट्स मुकर्रर किए ? कितने शेड्यूल्ड ट्राइब्स एजेंट बनाये जिन्होंने बैंकवर्ड एरियाज में लोगों की कॉन्फीडेंस में लिया हो ?

श्री के० जी० तिवारी : हमारे पास रूरल एरियाज में एजेंट हैं, रूरल डेवलपमेंट आफिसर्स आदि हैं। 32 परसेंट बिजनेस हम लोगों को रूरल एरियाज से मिलता है।

श्री बिलीप सिंह भूरिया : हमारे मध्य प्रदेश में कई डिस्ट्रीक्ट ऐसे हैं, जहां एल० आई० सी० का एक भी आदमी नहीं है। रतलाम में तो डेवलपमेंट आफिस है लेकिन साबुआ में नहीं है।

श्री रामजी राम : हमारी कोशिश यही रहती है कि हर जगह एल० आई० सी० का आदमी होना चाहिए।

श्री श्रीकृ० राम जैन : दो करोड़ आदमियों में से कितने आदमी पालिसी रखते हैं ?

श्री के० जी० तिवारी : उससे कुछ कम होंगे।

समापति महोदय : जितने आदमी इन्श्योर्ड हैं, उसमें से रूरल का परसेंटेज क्या है ?

श्री के० जी० तिवारी : 32 परसेंट।

श्री बिलीप सिंह भूरिया : एल० आई० सी० की रिपोर्ट को कैसे चैलेन्ज कर सकते हैं ? जो मर जाते हैं, सस्पेंडेड एकाउन्ट्स कितने करोड़ के हैं ? ग्रन-सेटर्ड एकाउन्ट्स होते हैं । एल० आई० सी० पेडेब-बलैम, मन्थोमें रिटी क्लैम होते हैं ।

श्री रामजी राम : ऐसे पेसे जमा रखने वाले कोई नहीं है । कोई पंसा लेने वाला नहीं है, ऐसा दिखाई नहीं देता है ।

सभापति महोदय : आप बताइये, ऐसे कितने एकाउन्ट्स हैं ?

श्री रामजी राम : इमीडिएटली उसकी कोई फिगर नहीं दे सकते हैं ।

श्री राम लाल राही : बिना की मंश है कि एल० आई० सी० को 5 भागों में बांटा जाये । एक कारण यह है कि जितनी गति से इसका विकास करल इसाके में होना चाहिये था, वह नहीं हो पाया है, इसलिए इसे स्प्लिट करना चाहते हैं । आपकी इसमें क्या राय है ? अगर इसे स्प्लिट न किया जाये और तहसील, ब्लाक स्तर तक कार्यालय खोले जाये, काम किया जाये तो क्या इसका इतना परपज प्राप्त नहीं हो सकता ?

श्री क० जी० तिवारी : प्राप्त ही सकता है ।

श्री रामलाल राही : अगर आपको इसे विकेंद्रित करने का एक साज का अवसर दिया जाये तो क्या आप इसके काम को दुगुना कर सकते हैं ?

श्री क० जी० तिवारी : जी हां ।

श्री रामलाल राही : लोगों का क्यास है कि बीमाधारकों में लिडयूल्ड कास्ट के और लिडयूल्ड ट्राइब्स की संख्या नगण्य है ये लोग ज्यादातर गांव

में रहते हैं । गांवों तक एल० आई० सी० की पहुंच नहीं है, इसलिये इनकी संख्या बीमाधारकों में कम है । अगर गांव तक इसका विकास किया जाये तो अधिकतर यह लोग लाभ उठा सकते हैं ।

श्री क० जी० तिवारी : जिस तरह की सुविधाएँ बैंकों को दी गई हैं, वही एल० आई० सी० को भी दी जाएं तो वह लोग भी लाभ उठा सकते हैं ।

SHRI KUSUMA KRISHNA MURTHY: You have been talking about competition among the Banks. I don't know what do you mean about competition among the Banks in a particular area. How do you account for the growth in deposits in a particular bank when a number of banks are existing in the same place and in the same population.

SHRI K. G. TIWARI: So far as the working of the banks and the growth in its deposits is compared, it cannot be compared with the LIC.

SHRI KUSUMA KRISHNA MURTHY: I am talking about competition and the business. There may be different banks in a particular area and you may agree with me that some people may say here you are getting better service and in that bank growth of service is very clear and visible. How do you account for that? Have you not come about with such a case?

SHRI RAMJI RAM: In LIC also the same thing is there. In LIC, the business is increasing day by day.

SHRI KUSUMA KRISHNA MURTHY: Therefore, with competition it may lead to healthy growth.

SHRI RAMJI RAM: But there is no competition in the banking according to us.

SHRI KUSUMA KRISHNA MURTHY: When you were replying to Shri Jain, you said with healthy competition there is bound to be growth. I hope you will agree with the principle that since there is competition there you will find growth in deposits as well. Without competition how do you account for that?

SHRI RAMJI RAM: The main thing is whatever benefits of competition that occur, they must go to the depositors. In banks, it is not going to the masses because the same rate of interest is being given.

SHRI KUSUMA KRISHNA MURTHY: I am not talking of the rural area banks. I am talking of the banking system in general where interest rate is same, set up is same, circumstance is same, population is same, but still a particular bank gets attraction.

SHRI RAMJI RAM: Whatever may be the growth of their deposits, it is not because of competition concept. They are working and procuring business. Here in LIC also competition is there. The competition is there in four branches. Suppose 43 Divisions are there. There is competition among all the 43 Divisions.

SHRI KUSUMA KRISHNA MURTHY: When you accept the concept of competition, which is conducive for growth then there should not be any objection for splitting.

SHRI RAMJI RAM: If you say that by splitting new competition is generated. I would say it is not possible.

SHRI KUSUMA KRISHNA MURTHY: You must have gone through the Era Sezhiyan Committee Report. The Committee has clearly stated that the basic objectives of the LIC have not been served; and you say it is doing very well and that the LIC has grown tremendously.

SHRI RAMJI RAM: No, you can see from the records that the LIC has grown tremendously.

SHRI KUSUMA KRISHNA MURTHY: It has grown tremendously that it has not touched 37 districts in the country. And do you know when Shri Deshmukh introduced the Bill, he had made it clear that it should go up to the Panchayat level?

SHRI RAMJI RAM: The thirty seven districts which are not having any branch office, their total population is only 47 lakhs.

SHRI KUSUMA KRISHNA MURTHY: It is not a question of population, or profitability. You know how our public sector undertakings are not functioning with profit motive. We want them to work in rural areas.

SHRI RAMJI RAM: The main thing is how many people have been reached in the rural areas. The total population that is not reached is only 53 lakhs as compared to about 70 crores population of this country. Of course, the rural thrust should be there. There are 10 districts consisting of a total population of six lakhs where there is neither an agency nor anything else that exists.

SHRI K. G. TEWARI: The Government should give a directive on this.

SHRI KUSUMA KRISHNA MURTHY: You should not bank upon the directive by the Government alone.

MR. CHAIRMAN: Mr. Murthy, you put the question. Now it is for the Committee to discuss it further.

SHRI RAMESHWAR THAKUR: In paragraph 4 of your Memorandum you have said 'The quality of service rendered to policy-holders is already good as disclosed by lesser number of complaints, from the increasing productivity of employees, figures from Annual Report of LIC (which are quoted). Would you take only the figures in the Annual Reports of LIC as the basis of your explanation? Have you gone through the reports of various expert committees who examined a large number of policy-holders and then came to the conclusion that the policy-holder's services have gone down?'

SHRI K. G. TIWARI: The LIC reports are the leading documents for our basis. The number of policy holders and the public that we are encountering who are satisfied are more than the policy-holders interviewed by the Committee. Therefore, we feel that whatever information we have collected is more authentic than the feelings expressed by the policy holders who have come before the Committee.

SHRI RAMESHWAR THAKUR: Are you aware that number of complaints as recorded is much higher in the Central Zone than in the Northern Zone, Southern Zone and Western Zone? If so, why it is higher?

SHRI K. G. TIWARI: It may be higher.

MR. CHAIRMAN: Is the number higher or not?

SHRI RAMJI RAM: Immediately we cannot say.

MR. CHAIRMAN: What is the period since when the complaints are pending?

SHRI K. G. TIWARI: So far as the procedure of dealing with complaints is concerned, the Divisional Manager himself looks to the task daily.

MR. CHAIRMAN: Please answer the specific question: Can you tell us about the complaints which are pending before the Central office? Since how many years they have been pending?

SHRI K. G. TIWARI: We do not think that any complaint is existing for the last one year.

MR. CHAIRMAN: It is not a question of your thinking. The question is whether you know it or not.

SHRI K. G. TIWARI: Every complaint is disposed of in three days by the Divisional Manager himself. So the question of the complaints being continued for a long time does not arise.

SHRI RAMESHWAR THAKUR: Your assessment is completely wrong. The largest number of complaints as compared to Northern Region and Southern Region is in the Central Region. So you correct yourself and give a correct answer.

SHRI RAMJI RAM: So far as we are concerned, we have quoted....

SHRI RAMESHWAR THAKUR: You have quoted the figures for March 1983, and not for March 1984. The second thing is, in paragraph 5 you have said that challenges of future can be

better met by improving general operational efficiency, functional proccentra- and carrying out the scheme of decentralisation. Would you like to elucidate as to how you feel that the operational efficiency, function procedures and decentralisation could be achieved because this relates to challenges for future which is important? In paragraph 5 you have talked about the challenges for future. How could they be met?

SHRI RAMJI RAM: We expect that with the normal functioning of any institution some complaints are bound to come. But so far as LIC is concerned, they are prepared to meet any challenges that are coming in the future. In that context we have said that without splitting, the challenges of the future can be met.

SHRI RAMESHWAR THAKUR: I am not on paragraph 4 of your Memorandum, I am on paragraph 5 which relates to the challenges of the future. I would like to have a specific answer from you on this. You said about the operational efficiency, functional procedures and the scheme of decentralisation. What do you mean by 'decentralisation'?

SHRI RAMJI RAM: Now the policy is that decisions are taken at Bombay. They are communicated to the Branches and Divisional Offices and they are being implemented. So far as we are concerned, we know that those things are implemented faithfully and efficiently.

SHRI RAMESHWAR THAKUR: You have said about the unadjusted accounts. What is the reason? Why such a large number of unadjusted accounts are there if you are really working efficiently and if there is operational efficiency?

SHRI K. G. TIWARI: About the unadjusted accounts, I may say that for instance, some policy-holder has sent a cheque towards his premium. Either he has forgotten to mention therein the policy number or may be the number quoted by him is not correct. So, we write to the policy-holder for getting the correct policy number. Like this the unadjusted accounts are there.

SHRI RAMESHWAR THAKUR: Now I do not discuss that because there are a large number of adjustments pending. But let us come to the other point. You have stressed in your Report about decentralisation. In paragraph 14(iv) this question is mixed up.

If we want de-centralisation, we have to have the centre of policy making. The control centre must be nearer for operational efficiency.

SHRI K. G. TIWARI: We apprehend that the State Corporations will be demanded.

SHRI RAMESHWAR THAKUR: This point has been made in 6(iv).

Coming to the regional imbalance, can you tell what is the idea of central region? Is it having the largest area as compared to other regions i.e. whole of Madhya Pradesh, Uttar Pradesh? We have got largest population. What is the reason that the progress of LIC is not much?

SHRI K. G. TIWARI: Uttar Pradesh and Madhya Pradesh are not developed so far as this exercise is concerned.

MR. CHAIRMAN: Why was Era Sezhiyan Committee appointed?

SHRI K. G. TIWARI: It was appointed in 1979 to look into the functioning of LIC.

MR. CHAIRMAN: Do you agree with the observation—demands have been made for more economic management, better return and improvement to the service of the policy holders, re-orientation of the investment policy, etc.?

SHRI K. G. TIWARI: We do not agree.

SHRI RAMESHWAR THAKUR: The area of the Central Zone is 7,57,000 sq. kilometres which is much larger than areas of Northern Zone, Eastern Zone, Southern Zone and Western Zone. You would say that the population of the Central Zone is, as per 1981 census so much which is larger than the Northern Zone and also Southern Zone and also Western Zone. In Western zone The population is 9,80,000 whereas our population is 16,30,00,000. Keeping this

in view what should be proportion of business?

SHRI K. G. TIWARI: In U.P. only the population is 13 crores and the remaining 3 crores is that of Madhya Pradesh.

SHRI RAMESHWAR THAKUR: What is the number of policies in your area? The number is 3,15,00,000 whereas it was 520 in the case of Western Zone. We must have awareness of the reasons for imbalance.

The Corporation is regionwise now. What will be its economy?

SHRI K. G. TIWARI: Maharashtra alone is producing 25 per cent of the industrial output of this country.

SHRI RAMJI RAM: There are factors which prohibit economy.

SHRI RAMESHWAR THAKUR: I would say that the new business in 1983-84 in the Central Region is only 10 per cent as compared to the previous year.

SHRI RAMJI RAM: That is an increase over the last year.

SHRI RAMESHWAR THAKUR: There is definite indication of increase of 10 per cent during 1983-84, whereas, in the case of Western Region it is less than 5 per cent, do you think or not that there is potential?

SHRI K. G. TIWARI: Maharashtra alone is producing 25 per cent. Next comes Gujarat.

MR. CHAIRMAN: We are only on the subject of insurance.

SHRI RAMESHWAR THAKUR: Let us take all-India basis. The Committee has said—

“during the last 25 years of LIC existence, the number of policies in force have gone up considerably and service to Policy holders has suffered”.

This is Era Sezhiyan Committee Report.

Is the assertion on All India basis right or not?

What you have to say about the adverse comments appeared in the newspapers about the quality of service rendered to the policy-holders by the LIC management? It has come in the Era Sezhiyan Committee report also.

SHRI RAMJI RAM: Regarding that, we have one thing to say that prior to the Era Sezhiyan Committee there were many committees which went into the working of the LIC. Now, you yourself have said that there is a divergent opinion between the finding of that committee and that of this committee.

MR. CHAIRMAN: Has any committee which has gone into the working of LIC praised the working of the LIC?

SHRI RAMJI RAM: Let us conclude that so far the committee reports are concerned, we should not opine on that. We are too small a person to opine on that.

SHRI SATISH AGARWAL: In your evidence, you said that there was some study conducted by the National Institute for Applied Economic Research. Do you have a copy of that report? Will you submit it to the Committee a week?

SHRI K. G. TIWARI: Yes, Sir.

SHRI SATISH AGARWAL: Was in your notice any action ever initiated in the Central Zone on the various recommendations of the Era Sezhiyan Committee report regarding improvement in the working of the LIC? Has any action ever been initiated by the Government or by the management for improving the functioning of LIC as recommended in the Era Sezhiyan report?

SHRI K. G. TIWARI: No. It is not to our knowledge.

SHRI SATISH AGARWAL: According to you, there is not going to be any difference in the new set up of LIC excepting that we shall have 5 chairmen, 5 managing directors and we shall have some more staff and Board of Directors. Otherwise, the implementing agency for all these policies and those laudable objectives mentioned in the Statement of

objects and Reasons, will practically remain the same—the lower level officials. Is it in your knowledge that at any point of time, the Government issued any directive or your management at Bombay issued any directive that new thrust should be given in regard to the business of the LIC in rural areas?

SHRI K. G. TIWARI: No, Sir.

SHRI SATISH AGARWAL: The subject was being discussed by you that the spread of the branches in the rural sector is much faster in the banking sector. Is it because that the banks mobilised the money? Are you of the firm opinion that had the Government taken a decision formally to strengthen the LIC units and spread its branches in the rural sector 5 to 10 years back and given the incentives for spreading the message in the rural area—if some incentives were given to the agents—the work done in the rural area would have to some extent been achieved? Probably, some incentives or premia or more bonus as in the case of differential rate of interest would have been given by the Government, a policy decision would have been taken by the Government that these new incentives would be given for spreading the message in the rural area in respect of insurance, probably the objectives would have been very well achieved and even now to be achieved with the present unitary structure?

SHRI K. G. TIWARI: The LIC would have done wonderfully.

SHRI RAMJI RAM: The then hon. Finance Minister, Shri C. Subramaniam, said in 1976 while addressing the celebration of Two Decades of LIC:

The Minister observed:

"I know there are many financial and administrative difficulties in the way. But these are not insurmountable and I am confident that with the talent and technical skill that LIC has, it can quickly prepare a faster programme for this purpose and implement it with the necessary drive and determination. In fact, if the cost of operations in these areas is an inhibiting

factor, I am prepared to earmark a part of the surplus generated each year to meet such additional cost.'

SHRI SATISH AGARWAL: Do you have this document? If so, please submit.

SHRI RAMJI RAM: Yes, Sir.

SHRI SATISH AGARWAL: So, this was the observation by Mr. C. Subramaniam made in 1976 when he was the Finance Minister. I think, you have gone through the provisions of section 21 of the LIC Act. The Government is competent to give directions to the LIC management regarding the functioning of LIC or the spread of business or new areas to be covered or any other policy which should be taken up by the LIC management. Is it in your knowledge except with regard to the opening of a divisional office at Silchar, are there any other directives given by the Government under those provisions of the Act?

SHRI RAMJI RAM: Hardly about 5 or 6 directives have been issued to the LIC but those were not concerned with any policy decisions of the LIC.

One was, after the Pakistan war, some death claims were pending, LIC rules work prohibiting death claims to the jawans. Therefore, in that context one directive was issued under this section. Prior to that, hardly on two or three occasions directives had been issued but not relating to rural business.

SHRI SATISH AGARWAL: What according to you made the Government to issue a directive or exercise its power under section 21 just for opening a division in Silchar, which is such a minor matter?

SHRI RAMJI RAM: Why the Government issued the directive, we cannot say. So far as we are concerned, in our day-to-day functioning, we approach the LIC management for various things. There we are told by the LIC that they had not received any directive from the Government and therefore they cannot move.

For example, in the promotion policy, the competent authority was the Chairman-cum-Managing Director. He was to frame rules and instructions. But on the last occasion, the rules were revised by our LIC management and they have been sent to the Government for approval. So far as our knowledge goes, it has not been accepted by the Finance Ministry. Therefore, heavy difficulties are experienced by the LIC management and ourselves. In the absence of supervisory personnel due to non-promotion of the existing staff confusion is prevailing. The proposal has been accepted by the LIC management and it has been sent to the Government for approval. But the required sanction has not been given by them.

Take, for example, the grant of festival advance to employees. Previously, it was Rs. 300. We are telling them that because the prices were rising, the amount should be increased to Rs. 500. They said that the matter had been referred to the Ministry for clearance. Only after their clearance, the amount was raised to Rs. 500. So is the case with drought or flood advance. Even for increasing the amount for cycle advance, when we approached the management, they said that the matter had been referred to the Central Government. So, for every little thing, they are referring the matter to the Government. They are not in a position to take decision on their own even on such matters which are within their competence under the LIC Act and the autonomy which they are supposed to enjoy. Presently, we find that even in respect of day to day functioning, they are not independent.

SHRI SATISH AGARWAL: Lastly, I want to know whether there are any officers in your Central Zone who do not belong to the zone, who belong to other zones and who will have to be transferred to the respective zones, who will have the option to go to the respective zones after the organisation is split into five units. Don't you think that the posting of officers from outside the zone is much better for the national integra-

tion and that the split into the five autonomous Corporations will give rise to the parochialism?

SHRI K. G. TIWARI: There are officers from every part of the country in the Central zone, in every zone. It surely adds to the feeling of national integration amongst the officers.

SHRI KUSUMA KRISHNA MURTHY: Have the Government refused to give permission to open new branches in the rural areas. Have there been any such specific instances?

SHRI RAMJI RAM: How can we reply that? That can be replied to by the LIC management.

SHRI RAMESHWAR THAKUR: Earlier you said that in the rural areas there are very poor people and there is no potential of having more and more insurance policies from the rural areas. Now, in reply to Mr. Satish Agarwal's question, you said that the LIC could have done much more business in the rural areas. These are two contradictory statements. How do you reconcile both statements?

SHRI RAMJI RAM: Our stand is not contradictory. Still we feel that there is potential in urban areas as well as in rural areas. If the potential is exploited fully, more business could come in. Our only submission is that no effort was made by the LIC management to deeply penetrate into the rural areas for the insurance business.

SHRI RAMESHWAR THAKUR: You mean to say that the LIC has not made sufficient inroads into the rural areas for getting insurance business. So, your earlier statement that in the rural areas there is no scope for insurance business is not correct.

SHRI RAMJI RAM: That is not the thing.

MR. CHAIRMAN: Thank you very much.

SHRI RAMJI RAM: Thank you, Sir.

(The witnesses then withdrew)

(The Committee then adjourned)

**RECORD OF EVIDENCE TENDERED BEFORE THE JOINT COMMITTEE ON THE LIFE
INSURANCE CORPORATIONS BILL, 1983**
**Saturday, 7 July, 1984 from 1100 to 1320 hours in Committee Room 'D', Ground
 Floor, Parliament House Annex, New Delhi.**

PRESENT

Shri Mool Chand Daga—Chairman

MEMBERS

Lok Sabha

2. Shri Satish Agarwal
3. Shri M. Arunachalam
4. Shri Bhiku Ram Jain
5. Shri Ghayoor Ali Khan
6. Shri Braja Mohan Mohanty
7. Shri Ram Lal Rahi
8. Shri M. S. K. Sathiyendran

Rajya Sabha

9. Shri Lal K. Advani
10. Shri Nand Kishore Bhatt
11. Shri Vithalrao Madhavrao Jadhav
12. Shri Akshay Panda
13. Shri Sudhakar Pandey
14. Shri Sukomal Sen

SECRETARIAT

1. Shri S. D. Kaura—*Chief Legislative Committee Officer.*
2. Shri R. S. Mani—*Senior Legislative Committee Officer.*

**REPRESENTATIVES OF THE MINISTRY OF FINANCE (DEPT. OF ECONOMIC AF-
FAIRS) (INSURANCE DIVISION)**

1. Shri H. M. S. Bhatnagar—*Additional Secretary.*
2. Shri R. K. Mahajan—*Controller of Insurance.*
3. Shri S. K. Purkayastha—*Director (Insurance)*
4. Shri S. D. Raheja—*Under Secretary.*
5. Shri A. S. Gupta—*Current-in-Charge and Managing Director (LIC)*
6. Shri S. G. Subrahmanyam—*Managing Director.*

WITNESSES EXAMINED

I. Shri Bhubaneswar Bhuyan, M.P.

II. Voice (Voluntary Organisation in Interest of Consumer Education)

Spokesman:

Dr. Sri Ram Khanna (Convenor)
 Lecturer in Commerce,
 Delhi School of Economics,
 Delhi.—110007.

**III. National Federation of Insurance Field Workers of India, Shinde
 Chhavani, Gwalior.**

Spokesmen:

1. Shri M. M. Sadanah—*Vice President.*
2. Shri P. S. Ahuja—*Vice President (Delhi Division).*
3. Shri K. N. Modawal—*Resident Secretary.*

1— Shri Bhubaneswar Bhuyan, M.P.
(The witness was called in and he took his seat)

MR. CHAIRMAN: Before you start, I may point out that in accordance with the provisions contained in Direction 58 of the Directions by the Speaker, your evidence shall be treated as public, and is liable to be published, unless you specifically desire that all or any part of the evidence given by you should be treated as confidential. Even though you might desire your evidence to be treated as confidential, such evidence is liable to be made available to the Members of Parliament.

Mr. Bhuyan, we have gone through your memorandum and I find that you completely agree with the objectives of the Bill. Would you like to make any general observations over and above what you have stated in your memorandum?

SHRI BHUBANESWAR BHUYAN: Sir, as I have already stated that although since its nationalisation has made certain progress yet if we look at this progress against the background of the nationalisation ideal, namely, that it will reach the rural people, we find that that aim has almost not been achieved because the vast majority of the people in our country are still not aware of the existence of LIC what to say of having an LIC policy. Secondly I would also like to point out that there are people in the urban areas who may be having about 40 policies. One individual may have forty policies. In my case I am also having four to five policies. So, my submission is that this progress should be viewed from this angle.

All this has happened because it is a centralised corporation with its headquarters at Bombay. I may say that even at the moment fifty-seven districts in India are without any LIC office.

Although immediately after nationalisation, LIC made some progress yet later on because of lack of competition it did not reach the masses. On account of security of service as per service conduct rules almost all the sections of employees

are not taking any pains to enhance the LIC business. The LIC officers confine themselves to their desks and do not go into the field. In my local divisional office where I have to visit occasionally in connection with my own individual case I find that sometimes the officers are not available and on other occasions I am told that they are in the canteen. As it is a government undertaking and there is lack of competition, I think, nobody bothers.

Had there been competition, things would have been different. For example, the Orient and Usha fans are quite competitive with their foreign counterparts. They are decentralised and because of competition and availability of servicing facilities at various places, these industries have prospered. Then, we are all aware of a very famous car Suzuki produced in Japan. The production there is not centralised in one factory. There are a number of small factories which produce different parts. Only the diagrams, etc. will be made available by the main factory, or it will take care of quality aspects. If all parts were produced in one factory, there would not have been any competition. Look at the Ambassador car here. It is produced in one factory, and we all know about its quality.

In view of this, in order to introduce a healthy competition to ensure viability and bring about dedication among the employees, there should be decentralisation. Those workers who work sincerely and industriously should be given proper incentives. Competition should be there and if incentives are given in terms of achievements, definitely there would be a lot of improvement.

In this light, if the LIC is divided into different zones, and each zone works in a competitive manner by giving incentives to its workers, business will definitely improve.

MR. CHAIRMAN: Should all the Corporations work throughout the country?

SHRI BHUBANESWAR BHUYAN: They would have specific areas of operation. There should be a centralised committee but this Committee should not be of bureaucrats. This should be committee of political nature, because political leaders would reflect the aspirations of the people.

SHRI BRAJA MOHAN MOHANTY: Do you suggest any improvement in the Bill?

SHRI BHUBANESWAR BHUYAN: I fully support this Bill. As I have mentioned, there should be a top level committee consisting of political people.

SHRI BHIKU RAM JAIN: You have mentioned about the competition among the units. You mean fair competition.

SHRI BHUBANESWAR BHUYAN: Yes, Sir.

SHRI SUKOMAL SEN: You have said that Corporations will operate in their respective areas. But the Bill says that the Corporations can open branches anywhere in India.

MR. CHAIRMAN: With the permission of the Government.

SHRI BHUBANESWAR BHUYAN: Yes, this permission may be granted easily, otherwise there cannot be a healthy competition.

SHRI SUKOMAL SEN: You have suggested in your Memorandum that there may be one Corporation but the Zonal Offices will have to be more autonomous to function with more liberty. Now it is quite contradictory to your own statement that there should be five separate corporations.

SHRI BHUBANESWAR BHUYAN: It is not so. This only supports the Bill. It is very clearly stated that these zonal offices should be autonomous for all practical purposes with one Central Office giving the guidelines.

SHRI SUKOMAL SEN: If the Zonal Offices do not operate all over the country, the element of competition will not be there.

SHRI BHUBANESWAR BHUYAN: No Sir. Even if they function autonomously and in their own jurisdiction, still there is a great possibility of having a very good competition.

SHRI NAND KISHORE BHATT: The point that Mr. Sukomal Sen wants to know is that there will be an element of competition among these five separate bodies, only when they operate all over the country. When their area of operation is restricted to their respective zones how can there be any competition?

SHRI BHUBANESWAR BHUYAN: One zone can be compared with the other zone regarding the extent of development of business, etc. Statistics can be compared and the zones would be competing with the other zones to improve upon their performance.

SHRI NAND KISHORE BHATT: The objectives set out in the Bill are the same as the old ones. Now, how do you think that the present set up has failed to achieve these objectives?

SHRI BHUBANESWAR BHUYAN: It can be inferred from the progress made. Only a meagre fraction of the vast population of our country is covered by the LIC policies. The Report itself indicates very clearly. Even ten per cent of the population is not covered.

SHRI NAND KISHORE BHATT: There is a general feeling that if this is introduced and LIC is split into five different corporations, it will adversely affect the interests of the workers and the right of collective bargaining will be taken away from them. Have you something to say on this?

SHRI BHUBANESWAR BHUYAN: When a worker has responsibility and accountability for his work, and if he is given certain incentive for efficient and hard working, then this sort of problems never crop up. The person who works honestly should be given an incentive.

SHRI SATISH AGARWAL: If that is not given, the purpose will not be served.

SHRI NAND KISHORE BHATT: There have been reports of violence, indiscipline and rowdism in different centres from time to time in the working of the Corporation. By applying this measure, there is a possibility of having a curb on these disturbances.

SHRI BHUBANESWAR BHUYAN: Definitely Sir, If a man remains busy with work, he has very little time to create disturbances in any form or to any degree. The workers should be rewarded by incentives and they should not be discouraged in any way. For example, if the student is confined to learning there will be much less scope for making demonstrations and other noise so also with cultivators and officers.

SHRI VITHALRAO MADHAVRAO JADHAV: Do you find that there is any clause in this Bill through which rural business can be increased?

SHRI BHUBANESWAR BHUYAN: It is more a question of giving guidelines. But our workers do not now have any incentive to increase the business in rural areas. Even though there is better communication and transport facilities to villages, nobody wants to go there, because there may not be good hotels, tea stalls etc. Incentive will be there if the service conditions and rules are modified.

SHRI VITHALRAO MADHAVRAO JADHAV: When we form different corporations, there will be competition only in cities. They will again not go to the rural areas to increase the number of policies there.

SHRI BHUBANESWAR BHUYAN: It is confined more or less to cities till today. Only after introducing a healthy competition will workers go to villages. I have no false hope that merely by splitting the present LIC, they will go there. First they will go to semi-urban areas, and only then to villages. But the process of having more rural business will be started by this Bill.

SHRI SATISH AGARWAL: You are well aware that there is massive poverty in rural areas. Even banks could not spread there till there was a provision

that anybody desiring a loan of even Rs. 5,000 would have to furnish a surety. It is only after relaxing this rule regarding surety that banks have been able to reach the rural areas, and the people there have been able to get the benefit of banking.

There; it is a question of giving money to villagers, but here we want to mobilize resources from there i.e. take money from them. In view of the poverty prevailing in rural areas, do you think that merely by having this Bill passed we will be able to increase rural business? Can it be done unless Government reduces the rates of premium simplifies procedure and gives more incentives for working in rural areas; and in addition some specific schemes giving incentives to agents and policy-holders are there giving more bonus to rural area policy-holders etc.?

There is a psychology in India among people viz. "God will do everything; what is the use of paying money and waiting for 20 or 30 years?" In view of the social and economic conditions prevailing in rural areas, don't you think that unless these are done it may not be possible, only by having these provisions in this Bill, to spread the message of insurance in rural areas?

SHRI BHUBANESWAR BHUYAN: Before nationalization of life insurance business, was confined only to big capitalists. Similar is the case with banking, before its nationalization. Banking and insurance were under the influence and control of vested interests. This Bill will simply pave the way for taking away the control and influence of the vested interests, and enable insurance to reach the masses. In order to do this, I agree there should be motivation, so far as rural sector is concerned, LIC will have to make vigorous propaganda, and also give incentives like bonus or promotions to workers. These things will have to be gradually introduced, but this Bill is a must, because it will go in that direction. I think motivation will come up after the split up of LIC. It is a question of detail. Each zonal body will have to consider as to how it can increase business.

If it fails to achieve its goals, people at the helm of affairs in the zone will be answerable.

SHRI SATISH AGARWAL: You are an elected Member of Parliament from Assam. In the rural areas, will it be possible to mobilize savings at the rate of premium applicable to people in urban areas like Gauhati, Calcutta etc.?

SHRI BHUBANESWAR BHUYAN: These things are to be determined after the split. There might be some changes. For example, there was no housing scheme in LIC till recently. It is there today. Similarly, new types of policies will have to be introduced for the rural areas.

SHRI SATISH AGARWAL: Should the rates of premium be reduced for rural areas in view of their backward economic condition?

SHRI BHUBANESWAR BHUYAN: Here, LIC has to formulate some more insurance policies with different rates of premium, having different terms and conditions, so that it becomes helpful for the rural people. After it is done, they will be able to know in what way they can face the people.

SHRI SATISH AGARWAL: Are you aware that every agent has to give a specific number of policies with a specific amount in order to maintain his qualifications for continuing as agent?

SHRI BHUBANESWAR BHUYAN: Yes.

SHRI SATISH AGARWAL: When an agent can easily procure business in the urban area, why should he waste time in going to the rural area? Do you feel that, in the case of those agents who are working in the rural areas, these criteria should be relaxed?

SHRI BHUBANESWAR BHUYAN: It does not mean that these are the only policies that we are having today. There might be changes in the rules for those agents considering their field of operation.

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All these things can be modified and further details can be worked out by the zonal offices in order to improve the situation, in order to achieve the goal.

SHRI SATISH AGARWAL: You are well aware that the banking facilities could not reach the rural sector till the government decided not to ask for any security for giving loan; only then it reached the rural sector. Had the government relaxed all these conditions, kept the premium rate low given direction to the LIC that they had to cover the entire rural sector, then probably, long time ago, we would have spread the message of the LIC in the rural areas.

SHRI BHUBANESWAR BHUYAN: In their case, there is no competition. They are not reaching in all the village areas. The main point is that competition should be there.

MR. CHAIRMAN: Thank you very much. Now, you can withdraw.

(The witness then withdrew)

II—VOICE, (Voluntary Organisation in interest of Consumer Education)

Spokesman

DR. SRI RAM KHANNA LECTURER IN COMMERCE, DELHI SCHOOL OF ECONOMICS; UNIVERSITY OF DELHI, DELHI.

MR. CHAIRMAN: Before you start, I may point out that in accordance with the provisions contained in Direction 58 of the Directions by the Speaker, your evidence shall be treated as public, and is liable to be published, unless you specifically desire that all or any part of the evidence given by you should be treated as confidential. Even though you might desire your evidence to be treated as confidential, such evidence is liable to be made available to the Members of Parliament.

Do you agree with the objects of the Bill?

DR. SRI RAM KHANNA: The objects will not be clearly achieved by this Bill. But, broadly, I agree with them.

MR. CHAIRMAN: Do you want to make further suggestions besides what you have stated in your memorandum?

DR. SRI RAM KHANNA: Yes Sir, As far as the question of bifurcation of the LIC is concerned, in management theory, decentralisation is a principle which breeds efficiency and the desire to break up the Corporation into small management units is laudable, but the manner in which it is sought to be achieved in this Bill will be self-defeating. Because the LIC policyholders who are the consumers have been at the receiving end, they have been at the hands of two kinds of extortionists: The management of the LIC and the union of the LIC. The policyholders is at the mercy of the agent at the mercy of the management and at the mercy of the Development Officers. There is no mechanism which will give an opportunity for him to ventilate his grievances or problems.

MR. CHAIRMAN: He may be at the mercy of the officers. But what amendments do you suggest?

DR. SRI RAM KHANNA: There should be bifurcation, and diversification. Each wing of the organisation should be allowed to compete, all over the country so that an element of competition is brought out. Otherwise this organisation will remain in efficient unproductive and useless.

MR. CHAIRMAN: Have you gone through Clause 11 of the Bill?

DR. SRI RAM KHANNA: Yes.

MR. CHAIRMAN: There is also a sub-clause (2) and a proviso.

DR. SRI RAM KHANNA: That is a self defeating provision. A similar provision exists in the MRTP Act which says that the public sector corporations will be restricted from certain provisions.

MR. CHAIRMAN: But it is done with the permission of the Government.

DR. SRI RAM KHANNA: My point is that the permission of Government should not be given. The statute should be made specifically clear by a specific amendment to this Clause, that every unit should compete with each other unit. No permission should be required.

Another suggestion we have made is about the disputes tribunal. The LIC can pay its lawyers ten times but people cannot fight them in a court of law. In the court of law, according to the insurance contract, I am a litigant.

MR. CHAIRMAN: You can first go to the officers.

DR. SRI RAM KHANNA: It is difficult. We want a disputes tribunal, not a claims tribunal. I am suggesting a quasi-judicial tribunal within the LIC to make the LIC a party to every dispute, whether it is a maturity claims or whether it may be any other claim. It must adjudicate the problem without my going to the court of law. Parliament must give me a right to go before the LIC to have a quasi-judicial tribunal for settling disputes.

MR. CHAIRMAN: If you complain, will not the officers consider according to the rules and regulations laid down by the Act.

DR. SRI RAM KHANNA: The rules and regulations laid down by the Act are designed to make it more convenient for the officers and the management and less convenient for the consumers. They are designed in such a manner that objections from individuals or individual problems are less thought of in the maze of the huge organisation.

MR. CHAIRMAN: So far as the claims are concerned they can be taken up. So; you want to add one word 'disputes' instead of 'claims' tribunal.

DR. SRI RAM KHANNA: Yes. The other suggestion we make is about mortality tables, because they form the basis for calculation.

MR. CHAIRMAN: You see clause 15. A Board has been proposed for this purpose.

DR. SRI RAM KHANNA: It only speaks of the Board. It does not specifically say anything else.

MR. CHAIRMAN: See Clause 20.

DR. SRI RAM KHANNA: What we are saying is that there should be a mortality table committee, a statutory body, as a part of the LIC consisting of experts in demography etc. There must be a specific provision that the LIC Board should have a statutory sub-committee known as the Mortality Tables Committee. Its constitution should be specifically laid down, in terms of the qualifications of the members and its functions. Because if it is not specific, after this Bill becomes an Act it will only be that Act which the LIC management will be interpreting.

MR. CHAIRMAN: So, you want a statutory body.

DR. SRI RAM KHANNA: Yes. It is also mentioned in our memorandum. The highlight of our memorandum is that the policy holders have no say in the organisation. The unions are having some powers. There should, therefore, be a policy holders advisory council. Every autonomous body must have an advisory council consisting of 15 people who must be experts, but not Ministers or their people.

MR. CHAIRMAN: But Ministers are also public servants. They also serve the people.

DR. SRI RAM KHANNA: No. Ministers should not be there. Only experts in the field should be there on the Advisory Council.

SHRI SATISH AGARWAL: Do you want an independent body?

DR. SRI RAM KHANNA: Yes. A statutory policy-holders advisory council consisting of 15 members should be constituted for every autonomous corporation within the LIC, in which there should be four persons from the management, two from the LIC agents, 2 from the employees and 7 from the policy-holders elected on the basis of postal ballot system.

MR. CHAIRMAN: Why should the representatives of the people not be put there?

DR. SRI RAM KHANNA: They are the representatives of the people for legislation and not every aspect of life. They have not been sent for any other purpose. It is because of our ignorance that they have abrogated all those rights. The MPs and MLAs have forgotten that they should only make laws and nothing else.

In USA the legislature has given a law enabling the consumers to assert their rights. Today this Committee is playing a historic role. It can provide to the policy-holders an instrument by which the employees will not be able to refuse the demands of the policy-holders. If you have such a council, it can meet quarterly or once in six months in a four-year term and all problems which affect the service of the policy-holders adversely can be talked across the table and solutions found. I am sure, by this harmonious relationship will emerge between the policy-holders and the LIC management and employees. And the net result will be that the employees and the management will become responsive to the policy-holders.

SHRI BRAJA MOHAN MOHANTY: Do you think that the rating committee as suggested by you, will be the adequate mechanism to control the organisation and to see that there will not be unhealthy and cut-throat competition?

DR. SRI RAM KHANNA: The rating committee can lay down such guidelines which can avoid unhealthy and cut-throat competition, as is done by the Reserve Bank in respect of nationalised banks.

SHRI BRAJA MOHAN MOHANTY: Do you think that the nature of competition between the nationalised banks and the LIC will be similar?

DR. SRI RAM KHANNA: It is not similar but more or less on that principle. I will give you an example. In the nationalised banks, a bank asks me to fill up my pass book and then we will

sign. Another bank sends my pass-book to my house. So, I will prefer to have my account in the latter bank and close my account in the inefficient bank. But here the policy-holders have no choice because of one organisation. Therefore, there should be a choice.

SHRI BRAJA MOHAN MOHANTY: If there is a centralised system providing only broader guidelines, then what is your objection to that system?

DR. SRI RAM KHANNA: As long as the top management or, what you call, the Board does not interfere in the management of the federations of autonomous corporations but merely lays down guidelines which ought to be enforced that will be quite all right. But if there is interference, then the concept of decentralisation will be defeated. I would say there should be no interference at all except the examination of the annual reports.

SHRI BRAJA MOHAN MOHANTY: Guidelines means certain broader perspectives. So, I think you will have no objection to certain operational perspectives being evolved and coordinated at national level.

DR. SRI RAM KHANNA: But again it must not be interference in management, it should be interference only in evaluation of management. Once the operational report of the corporation is ready, it must be forwarded to the Board.

MR. CHAIRMAN: There are certain functions of the Board just like reviewing the procedures, practices and functioning of the Corporation and such other functions as may be prescribed whatever functions are delegated or whatever rules and regulations are framed; they are done within the scope of this Act.

DR. SRI RAM KHANNA: But will I spend twenty years to challenge their validity in the Supreme Court? Is it physically possible?

MR. CHAIRMAN: You can challenge them in the Committee on Subordinate Legislation. Ways are open for you.

DR. SRI RAM KHANNA: But it has not been possible at all.

SHRI BRAJA MOHAN MOHANTY: You say that 30 per cent of the investment should be made as per the Central Government's directions and 70 per cent on the basis of the sound economic viability. My question is why not 100 per cent investment should be made in such a manner so as to achieve the social objectives? The present system is that the entire investment is being guided by the Government and the purpose is to achieve the social objective. Your suggestion is that 70 per cent should be on the basis of economic viability. You know the present state of affairs in India. Our masses are having a very low level of livelihood, so, in that background why do you not agree to 100 per cent investment being made for the purpose of achieving the social objective?

DR. SRI RAM KHANNA: I do agree that the main objective of a public sector corporation should be to achieve the end of redistributive justice. Take from those who have and give to those who do not have. The same objective can also be achieved by apportioning the investible funds available with the public sector corporations. There are certain low-yielding securities of the Central Government in which if certain funds are invested, the profitability may give a bad deal to the policy-holder. The insurance policies available in this country are amongst the worst in the world. You ask anybody in Britain or USA or even in developing countries in South-East Asia or in Latin America to take a policy from LIC, he will refuse to take it because similar corporations in developing countries in the world are able to give better terms. There are companies which give even inflation-linked insurance policies. If that objective is to be achieved even for the poorest of the poor policy-holders whose savings are being eroded by inflation every day; then the only way is that the investible funds of LIC, to a large extent, that is, about two-third, should go into such investments which are having high-yielding securities. Escorts has been an excellent example. You see how the LIC have multiplied their investment in Escorts. Similarly, in such high-yielding areas

where the funds can get more returns, LIC should be free to put them in. But if the Government says no, they are bringing in these Bonds at 7 per cent and you have to take it, then it will affect the profitability.

SHRI BRAJA MOHAN MOHANTY: Is there any study on possibility of introducing the inflation-linked insurance policy?

DR. SRI RAM KHANNA: That is a possibility. I am not an expert on actuarial science, but there are experts who could guide the Government.

SHRI LAL K. ADAVNI: Your memorandum suggested that the policy-holder would have been much better off under private all-India life insurance companies because LIC gives very unremunerative policies. The approach is basically that the nationalisation of life insurance companies itself was an unwise step and the policy holder was better off under the private insurance companies. This is how you have framed your preamble.

DR. SRI RAM KHANNA: This statement is made to make all of us realise that had the private insurance companies been allowed to operate their management, they would have done much better. They were foreign companies and are still functioning in many parts of the world and their policy holders are much better off than the policy holders getting policies from LIC, meaning thereby that many of the foreign insurance companies are able to offer much better deal to the policy-holders in countries where their business is not still nationalised. Otherwise, it is not based on any empirical study.

SHRI LAL K. ADVANI: I only point out to show that your prospective in pressing the recommendation is very limited, namely how can the interests of those policy holders who have contributed to lift insurance policies, be safe-guarded, whereas this Committee, which represents Parliament, is concerned with wider interests. It is not only the consumer who should get better service but the principal objective of this Bill should also be kept in view and that objective is that

this splitting up will result in more effective spread of insurance into the rural areas where only limited headway has been so far. For safeguarding the interest of the consumer, you are presenting a point of view. But, you will appreciate, this Committee has to have a wider perspective. Do you think that the LIC, as it is constituted today, provides for the kind of competition which will service the policy-holder better?

DR. SRI RAM KHANNA: If the question is whether the Bill, as it is framed, will serve the objectives of the policyholder better, the answer is "No", unless suitable amendments are made by the Committee. You have stated that Parliament has to fulfil the constitutional obligations placed before Parliament by the founding fathers. Here I would invite attention to a question in the Lok Sabha by Shri A. K. Roy on the 16th March to which the Deputy Minister of Finance replied that the business in the rural areas amounted to 7.33 lakhs policies valued at Rs. 1,000 crores, and in the urban areas 14.98 lakh policies valued at Rs. 2,938 crores. These figures speak for themselves as to how effective LIC has been after nationalisation in going to the rural areas. It has miserably failed. The ratio between urban and rural is 1:2 so far as population is concerned; but if you see the coverage of policy, it is exactly the opposite, two urban and one rural. Therefore, we have evidence to show that even so many years after nationalisation, LIC has not been able to achieve this object. I see nothing in this Bill which will reverse the trend. Even the potential policy-holders will stand to gain by my suggestion.

SHRI LAL K. ADVANI: Now LIC is a monolithic organisation and the proposal is to split it into five organisations. Would you agree that this has very little to do with the spread of LIC into the rural areas and it is more dependent and relevant to the rates of premium and servicing that is done to the policy-holders?

DR. SRI RAM KHANNA: I would agree with that. It is the service given to the consumer or policy-holder which will make him decide whether to go in for policies or not and the fact whether he is residing in a rural or urban area is not very much relevant.

MR. CHAIRMAN: Thank you very much.

(The witness then withdrew)

III—National Federation of Insurance Field Workers of India

Spokesmen:

- (1) Shri M. M. Sadanah
- (2) Shri P. S. Ahuja
- (3) Shri K. N. Modawal

(The witnesses were called in and they took their seats)

MR. CHAIRMAN: Before you start, I may point out that in accordance with the provisions contained in Direction 58 of the Directions by the speaker, your evidence shall be treated as public, and is liable to be published, unless you specifically desire that all or part of the evidence given by you should be treated as confidential. Even though you might desire your evidence to be treated as confidential, such evidence is liable to be made available to the Members of Parliament.

SHRI M. M. SADANAH: I would like to make a submission. Our Federation is the only field organisation of LIC, consisting of about 8,000 development officers. Our Secretary-General is not based in Delhi. We have received a communication from the Committee. In response to that, we have submitted a written memorandum along with the request for a personal hearing for the Secretary-General. Unfortunately, we did not get any response from the Committee.

MR. CHAIRMAN: You have got a chance to give evidence. If you want to say anything about the Bill, you may do so, because this is the last set up witnesses we are examining. We will not examine any more witnesses.

Have you gone through the Era Sezhiyan Committee Report?

SHRI SADANAH: I have gone through it. In fact, I have appeared before the Committee.

MR. CHAIRMAN: That Committee has recommended the splitting up of the Corporation into five corporations. It is on that basis this Bill has been introduced. Do you agree with any of the clauses of this Bill?

SHRI M. M. SADANAH: I do not agree with the basic concept of splitting the corporation into five units.

MR. CHAIRMAN: So you totally oppose the Bill.

SHRI M. M. SADANAH: Yes, Sir. But I would like to elaborate on some points.

MR. CHAIRMAN: Do you want to give any amendments in the Clauses?

SHRI M. M. SADANAH: Amendments would amount to accepting the basic fact that Corporation is split up into five units. I do not agree with the concept of splitting.

MR. CHAIRMAN: When you do not agree with the objective of the Bill and oppose it totally, do you want to add anything?

SHRI M. M. SADANAH: As far as I could understand even from the Era Sezhiyan Report and after studying the Bill, the concept of split is to give effective service to the policy holders and to ensure a right and quick growth of insurance. On this particular point, which deals with my department in the matter of sales, I would like to say something. Coming to the concept of faster development of insurance, the obstruction or the reasons why faster development of insurance has not taken place is not because there has been a monolithic organisation but because of the fact that the organisation has not been allowed to function with autonomy and independently; and there have been certain things, where the policies have come in conflict and have

become impediments in the growth. I would like to give a small instance. Between the period 1956 and 1970, the growth in the five or six years was so rapid from Rs. 200 crores to Rs. 800 crores. Then there was a stagnation at the level of about one thousand crores for two to three years. Between 1970 and 1974, there was a rapid growth from Rs. 1,000 crore to Rs. 2,200 crores.

MR. CHAIRMAN: The Era Sezhiyan Committee has considered all the aspects on which you are telling all this. They have considered it totally. It has given a big report consisting of so many pages.

SHRI M. M. SADANAH: I think what I am going to say that has not been mentioned. They have given statistics and facts and I am giving more than statistics and facts.

MR. CHAIRMAN: Because you say you totally oppose the Bill...

SHRI RAM LAL RAHI: He wants to state the reasons.

MR. CHAIRMAN: I am not so much interested in the reasons. I am interested if you are opposing the Bill. I would also like to know what is the percentage of the people which have been covered by the LIC upto now.

SHRI M. M. SADANAH: Both group and life insurance?

MR. CHAIRMAN: Yes, And can you give me the number of claims which are pending till today? Can you give me the number of complaints which are pending today? Do you know why after all the Government is thinking of bringing this Bill? It is because we have not achieved our objectives. Now, please tell me what were the objectives?

SHRI M. M. SADANAH: I regret to make the submission that exactly what you are saying, I do not agree with that. But there are certain points which I wanted to make.

MR. CHAIRMAN: You please answer the questions that I am putting to you. Then you can have your say. The Hon. Members also will have a right to put

questions to you. First answer what I am asking from you. Do you know what are the objectives of the Life Insurance Corporation?

SHRI M. M. SADANAH: To spread the message of insurance as widely as possible and to provide security to the citizens of the country. That was the objective in 1956 when the LIC Act was first enacted.

MR. CHAIRMAN: The LIC formulated its objective in 1954.

SHRI M. M. SADANAH: I am talking of the time when nationalisation took place.

MR. CHAIRMAN: That was in 1956. Then what was the objective which was formed in 1974?

SHRI M. M. SADANAH: There were a number of committees—The Administrative Reforms Committee, the Morarka Committee. Every Committee had different objectives.

MR. CHAIRMAN: Has the LIC achieved those objectives?

SHRI M. M. SADANAH: No, Sir.

MR. CHAIRMAN: In order to achieve those objectives, now the Parliament is bringing in a Legislation. The Bill has been introduced. You are opposing it in toto. So I am putting to you certain questions, what is the number of policy-holders? You are not in a position to tell me. What is the number of claims pending? That too you are not in a position to tell me. What is the number of maturity claims, you are not in a position to tell me. Therefore, I may tell you we have not achieved the objectives. Eighty per cent of the people are living in rural areas. And what is the percentage of people covered in the rural areas That too you are not in a position to tell me. Now, you know the number of employees working in the LIC is 60000. Can you tell me what are the emoluments of the Class III and Class IV employees?

SHRI K. N. MODAVAL: Salary range from job to job.

MR. CHAIRMAN: I am talking of the total emoluments which Class III and Class IV employees are getting today. You can take for instance a Driver a Sweeper a Clerk or even a Stenographer. All these employees are getting more than an ordinary employee gets in the Central Government.

SHRI M. M. SADANAH: I am coming from the field force.

MR. CHAIRMAN: Now, tell me why in the year 1981, an Act was passed by the Government? Do you know why that Act was moved in Parliament and it was for what purpose?

SHRI M. M. SADANAH: Which Bill? Pertaining to what? So many Bills were passed in Parliament during that period. How am I concerned with them?

MR. CHAIRMAN: That was regarding the LIC in 1981;

SHRI M. M. SADANAH: Are you referring to the ceiling on bonus?

MR. CHAIRMAN: And you know that was challenged in the Supreme Court.

SHRI SATISH AGARWAL: But they are not employees of the LIC.

MR. CHAIRMAN: But they oppose it totally. It is further to amend the Life Insurance Corporation (Amendment) Act 1981, for securing the interests of the Life Insurance Corporation of India and the policy-holders and to control the cost of administration, it is necessary that revision of the terms and conditions of service applicable to the employees should be undertaken expeditiously. This Bill was introduced in the House and it was passed. Are you aware of it?

SHRI M. M. SADANAH: Yes, Sir.

MR. CHAIRMAN: Was it challenged in the Supreme Court?

SHRI M. M. SADANAH: Yes, by the staff unions.

MR. CHAIRMAN: What was the result of it?

SHRI M. M. SADANAH: There was a judgement on the bonus issue in the first judgement.

SHRI SATISH AGARWAL: Did you challenge that Act?

SHRI M. M. SADANAH: We did not challenge it. We are a separate organisation.

MR. CHAIRMAN: Mr. Satish Agarwal I am asking them whether they know about it. They have not applied their mind as to why this Bill was opposed.

SHRI M. M. SADANAH: Before giving an opportunity of making our statement, you are telling all this. You are telling that we have opposed it without applying our mind.

MR. CHAIRMAN: Have you read the objects of this Bill?

SHRI M. M. SADANAH: I have read the objects. I said, I put them in a nutshell. That was in order to enhance the scope of development of insurance.

MR. CHAIRMAN: When you say that 'I am opposing the Bill'...

SHRI M. M. SADANAH: I am opposing the Bill because the purpose for which you seek to achieve the objects is not served by splitting.

MR. CHAIRMAN: In your view, when insurance was nationalised, we were having certain objectives and we have not achieved those objects. Is it not?

SHRI M. M. SADANAH: We have not fulfilled those objectives not because it was one unit, but because of certain other reasons which I would like to elaborate.

MR. CHAIRMAN: All right, now you give me reasons for opposing this Bill.

SHRI M. M. SADANAH: I have mentioned two reasons.

SHRI RAM LAL RAHI: I am on a point of order.

आप बिजनेस से जो सबाल करते हैं, उसका जवाब आने से पहले ही बीच में डिस्टर्ब कर देते हैं और हमारी समझ में नहीं आता है कि आप क्या जानना चाहते हैं और बिजनेस क्या कहना चाहते हैं। इससे हम क्या निष्कर्ष निकालें।

सभापति महोदय : मैं उसी आधार पर प्रश्न पूछ रहा हूँ, जो कुछ बिजनेस कहना चाहते हैं, उसकी बारीकी में जानना चाहता हूँ।

श्री राम लाल राही : आप बिजनेस से चाहे एक प्रश्न पूछिये या सौ, लेकिन उसका पूरा उत्तर तो आने दीजिए। जो प्रश्न आप करते हैं, उसका पूरा उत्तर आने से पहले ही आप बीच में बोल देते हैं और हमारी समझ में कुछ नहीं आता।

SHRI SATISH AGARWAL: According to me, the main thrust of the question is whether the objectives could be achieved by the LIC after nationalisation. If not, why not? And also the question is whether those objectives can be achieved by this proposed legislation. We are on a limited point.

MR. CHAIRMAN: My question is; Why the objectives cannot be achieved:

SHRI M. M. SADANAH: The objectives will not be achieved as far as the growth of development is concerned because of the impediment which was placed by the Government in respect of the recruitment which started from 1969-70 onwards. When the Life Insurance Corporation was nationalised and the business was taken over, there was a field force of 2.50 lakhs with a field force of about 4000 and odd. There were some regular employees and all that. From that period there was a built up of field force and up to 1980 it went up to 80% and at that time some notion came in the mind of the Government that there is a superfluous class and we must

cut the number and we must have direct agents and financial agents doing business, let us have rural financed agents and all that. They experimented this idea for about 10 years. For the last 10 years unfortunately for this institution there was no recruitment in the Life Insurance Corporation in respect of Development Officers.

MR. CHAIRMAN: Have you placed any memorandum before the Government?

SHRI M. M. SADANAH: Yes, Sir.

MR. CHAIRMAN: In which year? My question is whether you have given any memorandum before the Bill was introduced?

SHRI M. M. SADANAH: I have given a number of memorandum to the Minister for Finance and Secretary of Finance.

MR. CHAIRMAN: Have you got copies of these memoranda?

SHRI M. M. SADANAH: Yes, Sir.

MR. CHAIRMAN: Will you be in a position to submit them to the Committee within a week?

SHRI M. M. SADANAH: Yes, tomorrow morning itself.

Coming to the point which I am making, a situation came up in 1981 and I met the then Finance Secretary, Miss Mittal, and I told her that LIC was making a big mistake of creating a vacuum. She asked me: 'Can you give the statistics in that regard?' I said, 'It will take time. So, why don't you ask the LIC to give the statistics?'. Further, I said that in respect of consisting of Delhi, Punjab, Haryana and Rajasthan. I could immediately do it. So, within 3 days I have got the statistics and showed that there were 112 Development officers out of 1200 who were just below the age of 40. All

others were between 45 and 50. Within 7-8 years a large number of Development Officers will retire. After squandering crores of rupees on immature schemes the idea dawned upon the LIC that their Development Officers are going down in number. Then they started taking action. The Life Insurance Corporation is not independent and autonomous and is nothing more than a subordinate Government department. We have been saying that the only thing that the LIC officers are empowered to do is sanction the privilege leave and nothing else.

MR. CHAIRMAN: You are a Development Officer. You are also accountable for this. You are saying that you could not perform your duties because of certain hindrances.

SHRI M.M. SADANAH: It is our job to bring to the notice of the Government and the hon. Members whatever difficulties we face.

I wish to put in a word of caution to this Committee. There is no young person to become a successful salesman. The job of a salesman in a country like India, a backward country is one of the most difficult job. Young persons are not recruited. There is not a single person in the age group of 21-40 years. They have picked up mostly persons in the age group of 45-47 in their new recruitment started in 1981-82.

The term used is promoted as a Development Officer because they cannot get younger persons in the present service conditions of Development Officers. The vacuum remains the same. After ten years, the retirement is so much that there is not going to be a salesman in the organisation.

I have already given you statistics. There is nobody below the age group of 40 years. There should be recruitment of new freshers.

MR. CHAIRMAN: Do you mean to say that the Corporation was functioning satisfactorily but it is the Government which has created impediments?

SHRI M.M. SADANAH: The Corporation was not allowed to function satisfactorily. The Government did not grant us autonomy. The growing need is not

to split but to give more autonomy to this institution.

MR. CHAIRMAN: Was it functioning under the provisions of the Act or was it acting arbitrarily?

SHRI M. M. SADANAH: I cannot comment on it. If it was within the framework of law, law should be amended.

What is required for administrative efficiency is de-centralisation. The functioning should go to the ground level and the tier should be reduced.

We have installed very expensive sophisticated computers. But the persons operating have not been properly trained. They are given training for four to six months and put on the job. The mistakes have started multiplying. I had asked the Divisional Manager Incharge to come and see for himself what was happening in the Branch. He said that they were not paid their allowance. If billions of rupees can be spent on installation of the machines, we should have experts to run those machines for a couple of years till new recruits are trained to look after these machines.

People have been taken from amongst the staff and trained. They were supposed to be paid Rs. 75/- per month additional allowance. This went to the Ministry for sanction about two years back. The sanction has not been received. What interest can a man take when he is not getting additional allowance? Such people outside are getting three times more than this amount, as wages. This has got to be looked into. I am not aware of the fact that whether there is a law to this effect. But if there is a law, it is a bad law if even for sanctioning an amount of Rs.75/- one should go to the Government. The Director of Insurance came to the Branch to find out what work they were doing. He looked around. Even after his personal visit, the sanction did not come. I am told, it has come but it has not been released. These are the impediments of the Government.

Administrative bottlenecks are not confined to one unit. It is the unit of 60,000 employees. But there are many units where more than a lakh of employees are work-

ing. The solution is, decentralisation should be more effectively worked out. More attention should be paid to decentralisation. I think, splitting of the Corporation would create complications. An agent from one unit going to the other unit could create complications. Policy-holders would be shifted from one place to another place and it would be a difficult task. Payment of premium would create difficulties because of different corporations.

These are the only points which I wanted to make.

श्री राम लाल राही : अगर सरकार लाइफ इनशोरेंस का विकेन्द्रीकरण कर दे और इसमें दिलचस्पी न ले, तो उसकी प्रगति नहीं हो सकेगी। सरकार परिवार नियोजन के बारे में प्रचार कर रही है, इस लिए लोग उसके लिए प्रेरित हो रहे हैं। इसमें मोटिवेशन की जरूरत नहीं है। क्या आप समझते हैं कि अगर सरकार ने लाइफ इनशोरेंस को लोकप्रिय बनाने के लिए प्रयत्न किया होना, तो उसकी प्रगति दुगुनी तिगुनी हो गई होती ?

श्री एम० एम० सदाना : अगर ज्यादा प्रचार किया गया होता, तो ज्यादा विकास और प्रगति होती। लेकिन जिन लोगों के द्वारा प्रचार हो रहा था, वे फोल्ड होकर थे, उनके बढ़ने पर रोक लगा दी गई और उनकी संख्या घटती गई। इस लिए लाइफ इनशोरेंस का विकास नहीं हो सका। लाइफ इनशोरेंस के काम का हिसाब लगाने में इस बात को महत्व दिया जाता है कि हम कितना धन लाए हैं, बनिस्वत इस बात के कि हमने कितने लोगों को सुरक्षा दी है। हम पर यह पाबन्दी है कि हमने इतना प्रीमियम लाना है, लेकिन यह पाबन्दी नहीं है कि इतने व्यक्तियों को इनशोर करना है। अगर पूरा प्रीमियम नहीं लाते हैं, तो हमारे वेतन में कटौती हो जाती है।

इसी वजह से हमारी टेडेंसी हो जाती है कि ज्यादा प्रीमियम हासिल करने के लिए हम ज्यादा लोगों को इनशोर करने के बजाय चार बड़े-बड़े पैसवाने लोगो को इनशोर कर दें।

श्री राम लाल राही : कहा जाता है कि दूसरे महकमों की निस्वत एल आई सी के क्लास फोर के कर्मचारी से लेकर बड़े अफसर तक ज्यादा वेतन पाते हैं। अगर सरकार समान वेतनमान लागू करने के लिए कोई नीति बनाए, तो क्या आप उसका अनुसरण करेंगे ?

श्री एम० एम० सदाना : 1973-74 तक तो यह ठीक था कि बैंक कर्मचारियों और लाइफ इनशोरेंस कॉर्पोरेशन के कर्मचारियों के वेतन ज्यादा होते थे। उसका विरोध हुआ। लेकिन आज स्टेट ट्रेडिंग कॉर्पोरेशन, स्टेट बैंक, एम एम टी सी, इंडस्ट्रियल फिनांस कॉर्पोरेशन वगैरह में ज्यादा वेतन है।

श्री राम लाल राही : अगर कोई वेतन लेता है, मगर काम नहीं करता, तो उसके निकाले जाने पर आप बुरा तो नहीं मानेंगे ?

श्री सदाना : नहीं।

श्री राम लाल राही : आज एल आई सी में बोर्ड या चैयरमैन नहीं है, इस लिए काम सफर कर रहा है। मैं समझता हूं कि अगर एल आई सी को विकेन्द्रित किया जाए, तो काम दस गुना बढ़ सकता है।

सभापति महोदय : आपने कहा था कि अपने बार-बार लिखकर गवर्नमेन्ट के पास भेजा है। मेहरबानी करके उसकी एक-एक कापी हमारे पास भेज दीजिएगा। धन्यवाद।

(साक्षियों ने प्रस्थान किया।)

(समिति की बैठक स्थगित हो गयी)

**RECORD OF EVIDENCE TENDERED BEFORE THE JOINT COMMITTEE ON THE
LIFE INSURANCE CORPORATIONS BILL, 1983**

Monday, 16th July, 1984 from 1500 to 17.30 hours in Committee Room 'C', Ground Floor, Parliament House Annexe, New Delhi.

PRESENT

Shri Mool Chand Daga—*Chairman*

MEMBERS

Lok Sabha

2. Shri Satish Agarwal
3. Shri Bhiku Ram Jain
4. Shri Kamal Nath Jha
5. Shri Ghayoor Ali Khan
6. Shri Janardhana Poojary
7. Shri Ram Lal Rahi

Rajya Sabha

8. Shri Nand Kishore Bhatt
9. Shri Sudhakar Pandey
10. Dr. Shanti G. Patel
11. Shri Rameshwar Thakur

SECRETARIAT

1. Shri S. D. Kaura—*Chief Legislative Committee Officer*
2. Shri R. S. Mani—*Senior Legislative Committee Officer*

**REPRESENTATIVES OF THE MINISTRY OF FINANCE (DEPTT. OF ECONOMIC AFFAIRS)
(INSURANCE DIVISION)**

1. Shri H.M.S. Bhatnagar—*Additional Secretary*
2. Shri R. K. Mahanan—*Controller of Insurance*
3. Shri S. K. Purkayastha—*Director (Insurance)*
4. Shri S. D. Raheja—*Under Secretary*

WITNESSES EXAMINED

*Life Insurance Corporation of India, Central Office 'Yogakshema'
Jeevan Bima Marg, Bombay-400021*

Spokesmen:

1. Shri A. S. Gupta—*Current-in-Charge and Managing Director.*
2. Shri S. G. Subrahmanyam—*Managing Director*
- Shri S. Hariharan—*Executive Director*

*The witnesses were called in and
they took their seats)*

be treated as confidential, such evidence is liable to be made available to the Members of Parliament.

*MR. CHAIRMAN: Before you start, I may point out that in accordance with the provisions contained in Direction 18 of the Directions by the Speaker, your evidence shall be treated as public, and is liable to be published, unless you specifically desire that all or any part of the evidence given by you should be treated as confidential. Even though you might desire your evidence to

SHRI A. S. GUPTA: Sir, I request that our evidence may be treated confidential.

[The entire evidence tendered by the representatives of Life Insurance Corporation, Bombay has been treated as confidential at their request. The copies thereof have been kept in the Parliament Library for reference by Members of Parliament only.]