

**Dr. Vijaya Ananda:** This was said by the man who was once called the conscience-keeper of Mahatma Gandhi.

**Shri P. N. Singh:** Now, Rajaji has changed that opinion.

**Dr. Vijaya Ananda:** Not so far as this is concerned. These words are in the book, and they can be read by any hon. Member if he so desires.

As my innings have come to an end, and it is now half past three of the clock, I would conclude now. I thank you very much for giving me this opportunity. I would once again say that there is no need for anybody to be frightened as long as he is a good citizen of this country.

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15.30 hrs.

**COMMITTEE ON MEMBERS' BILLS  
AND RESOLUTIONS**  
**SEVENTY-THIRD REPORT**

**Shri Jhulan Sinha (Siwan):** I beg to move:

"That this House agrees with the Seventy-third Report of the Committee on Private Members' Bills and Resolutions presented to the House on the 30th November, 1960."

**Mr. Chairman:** The question is:

"That this House agrees with the Seventy-third Report of the Committee on Private Members' Bills and Resolutions presented to the House on the 30th November, 1960".

*The motion was adopted.*

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**RESOLUTION RE: NATIONALISATION OF GENERAL INSURANCE**  
**—contd.**

**Mr. Chairman:** The House will now resume further discussion of the following Resolution moved by Shri T. B.

Vittal Rao on the 18th November 1960:—

"This House is of opinion that General Insurance should be nationalised".

Out of 2 hours allotted for discussion of the Resolution, only one minute has been taken. Shri T. B. Vittal Rao may continue his speech.

**Shri T. B. Vittal Rao (Khammam):** I moved my Resolution for the nationalisation of general insurance encouraged by the remarkable progress made by the Life Insurance Corporation. Secondly, in our economy, industrialisation is going on and there is need to improve the general insurance business not only with regard to industries and other things but also with regard to crop and cattle insurance. Now, general insurance covers only fire, marine and miscellaneous. Thirdly, the revealing facts that have been disclosed as a result of inquiries into the working of the New Asiatic Insurance Company and the Ruby General Insurance Company that are going on, are another factor.

**Shri P. R. Patel (Mehsana):** These are credit institutions, and the naming of those institutions will rather have some adverse effects in foreign countries where we get business. We get business of about Rs. 12 crores every year from foreign countries.

**Mr. Chairman:** He need not refer to the names.

**Shri Tyagi (Dehra Dun):** Arguments can be advanced without mentioning the exact names of any firms. After all, this business is very sensitive.

**Shri Sadhan Gupta (Calcutta-East):** It was stated in the Rajya Sabha.

**Mr. Chairman:** We need not go by what has happened there.

**Shri T. B. Vittal Rao:** For the information of the House, I may quote the reply given by the hon. Deputy

[Shri T. B. Vittal Rao]

Minister of Finance, Shrimati Tarakeshwari Sinha to a question in this House, on the 17th August asked by my colleague, Shri H. N. Mukerjee, with regard to the inquiry recently conducted into the affairs of the New Asiatic Insurance Company and the Ruby General Insurance Company. I shall quote the question:

"(a) Whether an inquiry had recently been conducted into alleged irregularities in the affairs of the New Asiatic and Ruby General Insurance Companies;

"(b) if so, what were its findings; and

"(c) what steps have been taken in regard to this matter?"

The hon. Minister replied:

"A statement is laid on the Table of the House".

Mr. Chairman: Even so, it would be better to keep out names.

Shri T. B. Vittal Rao: These are very relevant.

Shri V. P. Nayar (Quillon): The whole discussion is dealing with them.

Shri P. R. Patel: We may discuss the matter of irregularities, but the naming of individual concerns would have adverse effects on their credit.

Shri V. P. Nayar: The hon. Member is not new to the House; he is only new to the Party.

Shri C. R. Pattabhi Raman (Kumbakonam): Naming of credit institutions in this context may do them incalculable harm.

Shri Prabhat Kar (Hooghly): The inquiry is going on. What is the harm in doing it?

Shri T. B. Vittal Rao: I would not have referred to this had it not been

for the reply that has been given by the Minister. I am very much encouraged because a few questions in this House elicited such a comprehensive reply as the one which was given by the Deputy Minister. I would crave the indulgence of hon. Members while I read out from the statement laid on the Table.

"The investigation by auditors into the allegations of malpractices and manipulations against this Company" has been completed and a Report submitted to the Government. The Report is at present under examination and, as such, action which Government may take will have to wait till "the examination is completed".

This is with regard to the Ruby General Insurance Company. Hon. Members who have objected to my statement would have done well if they had protested at that stage when the reply was given by the hon. Minister. Then with regard to the New Asiatic Insurance Company, this is the reply:

"(a) The investigation by auditors into the allegations of malpractices and manipulations against this Company has been completed and a Report submitted to the Government.

"(b) The nature of the findings, as contained in the auditors' report, is indicated below:—

(i) misappropriation of funds by (a) showing false payments of claims or commission; (b) showing lump sum withdrawals of money as expenses of management without indicating proper details; (c) making false entries in books;

(ii) large suppression of losses by making false entries in the books which were reversed in convenient instalments in subsequent years;

It also deals with falsification of accounts, falsification of returns and so

on—I am not reading the whole of it. Then it says:

"A formal communication was sent to the Company informing it of the findings of the auditors and giving it an opportunity to explain. The Report was thereafter examined in the light of the explanation received from the Company in consultation with the Ministry of Law and it is felt that further investigation would be necessary to locate responsibility for the acts which the auditors considered wrong. It was, therefore, decided to appoint two directors on the board of directors of the company under the powers vested in the Government by section 48C of the Insurance Act."

Then the names of the two directors are given. Since then the Company has closed down. I am very very happy that such a comprehensive reply was given, because in this House when questions of this nature are tabled, generally the answers are rather evasive. So hon. Members who have objected to my naming the companies would now realise that it was an afterthought.

**Shri V. P. Nayar:** They will never realise their mistakes.

**Shri C. R. Pattabhi Raman:** It is not as if there is a public inquiry going on. What I am saying is that there is a report. We can certainly make comments on that. I am just warning him that there should be a sense of fairplay shown in this matter. I am not interested in anything.

**Shri V. P. Nayar:** Does he mean comments minus the companies?

**Shri T. B. Vittal Rao:** The last reason why I have moved this Resolution is that we want to break up the monopoly which some of the companies in general insurance enjoy. These companies are in the hands of a few industrial houses or industrial magnates like the House of Tatas, the House of Birlas and so forth.

It would appear from the *Indian Insurance Year Book*—I have collected some facts—that there are 177 companies working as of 1st December 1959. Out of these, there are 90 Indian and 87 non-Indian companies. The total assets of the Indian insurers as of 31st December 1959 is Rs. 52 crores and that of foreign companies, Rs. 11 crores. The subscribed and paid-up capital of these Indian companies stood at Rs. 25 crores and reserves at Rs. 26 crores. The total profits for the year 1958 were Rs. 2 crores. It may be noted that our Indian insurers have increased their business. Some years ago, it was the total monopoly of foreign concerns. Even so, in 1959, the percentage of Indian insurers is only 64.3 as against 35.7 or so of non-Indian insurers.

After nationalisation, some companies have been taken over. They did not do their business. They gave it up to LIC, and a little later some of the companies closed down. There has been a reduction in the number of companies because the big monopolies do not allow the small companies to come up. Therefore, some small companies have closed down. Some of the big companies have closed down on account of their mismanagement and so forth.

It may well be argued by some here that there is a code of conduct agreed to in this business. I understand there is a code of conduct and this code has been revised so many times. But I will only refer to one of the comments made by the Chairman of one of these companies. Shri M. A. Muthiah Chettiar, Chairman of the United India Co., told the annual general meeting in 1959:

"This Code, with its revision from time to time, has been in operation for some years. But everyone concedes that it has not succeeded in achieving the object for which it was framed. The unhealthy practices still persist though under a different garb. It would indeed be a great pity if

[Shri T. B. Vittal Rao]

large sums of money which companies are called upon to pay year after year have made the administrative costs of the Code should go in vain".

I do not want to add any further observations of mine because the remarks of one of the Chairman of the companies itself goes to show that the Code is observed in its breach.

Suppose a cargo has to be shipped. The cargo cannot be shipped unless and until it is insured. There are the shipping agents who say that unless and until the cargo is insured with such and such a company they would not take it. There is no choice left for the person who wants to send the cargo. This is one thing. There are so many other ways by which this under-cutting and unhealthy competition goes on in this field.

I would briefly refer to the dividends paid in this business. I am making a specific reference to this because when this resolution was debated in the Rajya Sabha it was stated that this business is not a very paying proposition and that it does not give fair returns or good profits. I will only state the dividends that have been paid by who companies for the years 1956, 1957 and 1958. The dividend paid by British India General Insurance in 1956 was 11½ per cent; by Concord 20 per cent; in 1957, General Insurance, 11½ per cent; Concord 20 per cent; in 1958, General Insurance 12½ and Concord 20 per cent. These are some of the figures which indicate the profits that are being made by these companies.

In the same debate it was said, how can we enter into this field without proper technical personnel, that is personnel, who would be able to go and inspect the packages, go to the ships and inspect the packages and report about the extent of damage that has to be paid or the claims that have to be paid. They should have some nautical training and all that. I am

amazed at this. Today we have entered so many fields. I can tell you today that in the industrial field productivity has increased to such an extent that with these low wages they are able to compete with Europeans. It is so in the Integral Coach Factory, Perambur; it is so with the Hindustan Machine Tools. Can we say that we cannot have trained personnel? I would say that in order to train our people at least we should enter this field. If they are not trained, in the initial stages there may be difficulty. There may be some loss incurred. But we should enter into this field. It is not that we have absolutely no trained personnel. These companies are already in the field and they have the trained personnel.

Then I will come to the question of the extension of this business. Before nationalisation, Life Insurance companies had not gone to the villages at all. Today we know that they want to do more in the rural areas and benefit those people. We hear of some Janata policies being issued. So also, I am confident that if general insurance is taken over by Government, we will be able to enter into fields to which we have not devoted any attention before. Therefore, in order to improve, it is essential that we should enter this field.

Then, about compensation. Of course, one of my colleagues has given notice of an amendment that there should be no compensation paid. But, here we are working under a Constitution in which compensation is assured. The assets of the Indian companies are about Rs. 52 crores and of the foreign companies are about Rs. 15 to Rs. 18 crores. Dominant among the foreign companies are those registered in the United Kingdom. Therefore, with our Commonwealth association, it would not be a very difficult to phase the payment of compensation over a number of years. To those companies in India we can just phase the compensation over a period of years so that it cannot be a burden

immediately on the Exchequer of our country. We will be going on making profits and from those profits we may easily pay them.

Some of the amendments which have been given notice are very interesting, especially the one given notice of by Shri P. R. Patel, who demands that there shall not be nationalisation for 25 years.

**Shri V. P. Nayar:** New enthusiasm.

**Shri T. B. Vittal Rao:** I hope Government is committed to periods of five years and not for a number of years like 25 years. That is another way of telling that there shall be no nationalisation at all.

**Shri Braj Raj Singh (Firozabad):**  
He is a new convert.

**Shri T. B. Vittal Rao:** He has got some experience of some shipping companies as a Member of the National Shipping Board which has got some links with these insurance companies. Therefore, he has enough experience. But, I am sorry that that amendment only amounts to saying that there shall not be any nationalisation of general insurance.

Then, there is another amendment given notice of by Shri S. M. Banerjee. I am not agreeable to that. But, I would like the amendment of my congress colleague Shri M. C. Jain. That is a very acceptable amendment, in which he says that these companies should be taken over by the LIC.

**Shri V. P. Nayar:** He is an old Congressman.

**Shri T. B. Vittal Rao:** Then, it may be argued that the profits are so low; why should we take over this business? After all, the Exchequer would be benefited after this nationalisation only to the tune of a few crores of rupees, say, Rs. 2.07 crores. But there are various other commissions. If you add them all, it comes to about

Rs. 6 crores; it would mean nearly Rs. 30 crores for the whole of the Plan period.

They may say the amount is meagre. But we hear in our House every day about the foreign exchange difficulties; for want of one crore of rupees, some projects are not taken up or postponed for years together. Only yesterday we were told that we were not able to take up the construction of a dry dock at Visakhapatnam for want of foreign exchange of Rs. 1.2 crores. We are at the same time prepared to pay nearly one crore of rupees every year for dry docking at Singapore. So, even the little which we get by foreign exchange would be beneficial to our country. With these words, Sir, I commend my Resolution to the House.

**Mr. Chairman:** Resolution moved:

"This House is of opinion that General Insurance should be nationalised."

There are some amendments.

**Shri Sinhasan Singh (Gorakhpur):**  
I have an amendment.

**Mr. Chairman:** That seems to be out of order for the simple reason that the substance is the same as in the original motion.

**Shri P. R. Patel:** I move my amendment.

**Mr. Chairman:** It is only negative amendment.

**Shri P. R. Patel:** It is not negative; it says that the Government should not do it for 25 years when they will have the experience. It is not negating the idea of nationalisation.

**Mr. Chairman:** I am of the opinion that it is out of order.

**Shri Tridib Kumar Chaudhuri**  
(Berhampore): Sir, I beg to move:

In the resolution—

add at the end—

"and a General Insurance Corporation of India be started immediately under full Government ownership to take over privately owned General Insurance business with the same pattern of organisation as the Life Insurance Corporation of India under the overall control and supervision of the Union Finance Ministry". (3)

**Mr. Chairman:** So, this amendment and the original Resolution are before the House.

**Shri Sadhan Gupta** (Calcutta—East): Mr. Chairman, I rise to support the Resolution that has just been move by Shri Vittal Rao because it is, in my view, the only logical course from all points of view. It is logical in the interest of the industry itself; it is logical from the point of view of the people of this country and it is logical from the point of view of the employees employed in the general insurance concerns themselves.

The conditions in the general insurance industry are by no means hard. There has been a phenomenal growth of business. In 1928, in the years for which we have the earliest statistics, the gross premium income in general insurance was only Rs. 41 lakhs. Today, or rather thirty years after that, in 1958, it was Rs. 29,66,37,000. In future, even brighter prospects are in the offing. We have already put into commission two five year Plans and there are other Plans in the offing which assure a big industrial jump forward which will give a fillip to general insurance business. An organised produce marketing is developing and that brings in considerable scope for expansion of general insurance. We are developing communications and in the wake of

communications necessarily trade and commerce expand and the markets expand and the scope for general insurance expands. Further prosperity is assured.

But the paradox of the situation is that we are witnessing closures of general insurance concerns in an alarming manner. I believe since the nationalisation of life insurece about 38 general insurance concerns have closed down either completely or partially. During the last one year or so, two big companies have closed down. The Standard Assurance closed all its branches and has kept only its head office open. The New Asiatic Insurance—a Birla concern—has closed down insurance business completely. Why this paradox and why this crisis amidst prosperity? The reasons are principally three: malpractices, the impact of nationalisation of life insurance and concentration of business that is more and more taking place in the industry.

The general insurance business in our country, as was the case with the erstwhile life insurance business festers with malpractices of a baffling number of varieties. The malpractices stem either from the necessity to hold on in the face of bitter and cut throat competition from concerns with concentrated business or, more often, from the very laudable motive of making surreptitious gains for the people in the management of these concerns or of allied concerns at the instance of the insurance company. Of the first kind are the illegal rebates on premium to big customers or sometimes to allied concerns. The rebate usually goes to the pocket of some one in the management of the customer concern. Also illegal payments of extra commissions, to agents for procuring business account for this. Of the second kind are misappropriations by the management of the insurance concerns through speculation in shares on the very sensible basis that if there is a gain on the shares the person in the

management who speculate gets the gain and if there is a loss it is shifted on to the insurance company or, at the most, the loan is returned. Either the loss accrues to the insurance company or at any rate no gain ever accrues through the utilisation of their funds. Naturally these transactions cannot be shown in the account books as they have actually taken place. In philosophy, you are aware of the doctrine of mire—things are not what they seem and this very philosophical doctrine has been freely applied to insurance on a very large scale.

**Shri V. P. Nayar:** It is *maha maya*.

16 hrs.

**Shri Sadhan Gupta:** I quite agree, as Shri V. P. Nayar says it is *maha maya*. If you find entries under the head of expenditure such as salaries and allowances or travelling expenses or loans or agent's balances or outstanding premium, you will be very much mistaken to assume that they really represent those heads of expenses. If you make that assumption, you will be as much mistaken as you would be if you assume that the world is a reality in the Vedantic philosophy. A large proportion of those entries would represent, perhaps, illegal commission or illegal rebates or, perhaps, misappropriations and amounts appropriated to share speculation on account of some one in the management. Shri Vittal Rao has already pointed out the affairs that have come before the House in respect of the New Asiatic Company. Auditors had to be appointed and investigations had to be made about this New Asiatic Company. In respect of other companies also investigations have been proceeding. In order to check all these malpractices there has been evolved, what has been pompously called, a code of conduct. That was evolved with considerable fanfare and it was paraded that that might be a cure for all ills. But as Shri Vittal Rao has pointed out, Shri Chettiar has stated that the code of conduct has been useless and the

money spent on the administration of this code of conduct has been a waste. Shri Tulsidas Kilachand, the Chairman of the New Great Insurance Company also has stated that the code of conduct has not served its purpose. As regards composite insurance companies, many insurance companies depended on the life business for supporting their general business. Life business was more profitable and therefore they used it to support their general business. With the nationalisation of life business they find themselves in a quandary. The Globe Insurance Company was directed by the Supreme Court to refund the loan taken from the life fund and as a result of that it has been forced to close down. This is the state of most of the composite insurance companies which were doing life business.

Then comes the question of concentration of business. This concentration is tending to become appalling. The latest known position, according to the figures, is that the first ten companies command a net premium income of 65 per cent of which New India alone command 30.1 per cent. The last 50 companies command only 4 per cent and the last 20 among them command only 0.4 per cent. As regards free capital and reserves the first ten command 50 per cent out of which New India alone command 32.8 per cent, the last 50 command only 10 per cent and the figures for the last 20 among them are not available to me. Is there any wonder that smaller companies find it difficult to continue in such a state? It will be ostrichism to suppose that anything can eliminate these malpractices and this concentration of wealth except nationalisation of the general insurance companies. The experience of life insurance in the private sector has completely proved that malpractices cannot be eliminated however hard you might try, however much you might legislate, however meticulously you might check up the affairs of a company.

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About employees, Sir, the only way to save them is also by way of nationalisation. Already after nationalisation of life insurance about a thousand employees have been retrenched, who make up about 10 per cent. of the whole employee force in the general insurance business. That is a serious matter. If nothing is done soon many more will be on the streets.

If general insurance business is nationalised, on the other hand, there is a great possibility of expansion later and as a result of that all employees and many more can be provided for. From the people's point of view the benefits will be enormous. Apart from creating a healthy industry in the general insurance sector, which cannot be created as long as it is in the private sector, there is a great scope for expansion, taking up new ventures, saving foreign exchange and economy. Incidentally, there will also be prevention of some tax evasion.

In spite of what has been paraded from some quarters, from some sections of this House about the boon of free enterprise, the experience of the general insurance sector is that, apart from the very ethical practices developed by free enterprise, free enterprise has revealed a singular reluctance to venture into new fields. Except for fire and marine insurance, the rest is accident insurance and most of the accident insurance business is confined to automobile insurance.

In an agricultural country, livestock insurance is essential. For instance, our farmers have got cattle. There are many contingencies in which their cattle may die. Then they will be left without their livelihood. So cattle insurance would be a great boon to our farmers. But nothing is done by way of cattle insurance by our companies. The only livestock insurance in which they engage is the insurance of race horses. Again, in an agricultural country, crop insur-

ance is absolutely essential. It is highly beneficial. It is also eminently desirable. But no company will venture into this field. I do not blame them. These are risky insurance and a company which will venture into these fields has to have very large resources. The largest of our Indian companies is only a pygmy company in comparison with companies elsewhere in the world. Therefore, they cannot be expected to venture into these kinds of insurance. But then, that is not the last word. We need that kind of insurance. Therefore, we have to provide for it, and the only way to provide for it, the only way to confer this benefit on the people is to nationalise general insurance, for a public corporation to take it up and to provide this kind of insurance through its very much larger resources.

The experience of life insurance business gives much encouragement in this field. With all these years of life insurance which the private sector had developed and about which they used to exhibit a very great pride, nothing was done by way of insuring in the rural areas, nothing was done by way of insuring industrial workers. But when the Corporation took it up janata policies have been instituted, rural insurance has been undertaken in some ways. We do hope that gradually this will extend and it will confer a very great benefit on our people. Surely, Sir, if general insurance is nationalised, the insurance against risks which need to be insured and which is beyond the capacity of the private sector to insure can be assured and in that way a great benefit will accrue to our country.

Now, Sir, the profits which will be available will be very useful for long-term financing of industries. Because, in the case of life insurance, you cannot risk the life funds in long term financing. But in the case of general insurance, as soon as the year is over, the risk expires and you can

invest the profit for long term financing of industries. By a judicious utilisation of the large premium income that must necessarily come to a nationalised general insurance concern,—and the premium income will grow larger and ever larger year by year—both the public sector and the private sector industries can benefit and that is another argument for nationalisation of general insurance.

The scope for economy is enormous, and so is the scope for saving foreign exchange. In these desperate days, we are short of foreign exchange and we certainly need to explore every avenue for saving foreign exchange. As regards economy, the procreation expenses are ruinous. The expense ratio allowed to medium size companies is 40 per cent out of which 30 per cent is spent on procreation. What can you expect these companies to do by way of paying suitable salaries to the employees or by way of other businesslike ventures? A large proportion of these procreation expenses also is wasted on rebates and illegal commission. Nationalisation will avoid all this. It will eliminate illegal commissions and it will eliminate rebates and thereby get more money and also, if will be able to reduce the procreation expenses to a large degree. This is amply demonstrated by the fact that the expense ratio of the Life Insurance Corporation's subsidiaries is rapidly going down, while this is not the case with the private sector in general insurance.

Regarding marine insurance, due to outside competition, the rates of marine insurance are too low here. They are uneconomical and almost every company undertaking marine insurance is suffering loss. The marine insurance department is only supported by high fire rates. A nationalised general insurance scheme can do much to eliminate uneconomic competition and put both marine and fire insurance on a rational basis.

Then there is the huge drain of foreign exchange through reinsurance treaties. About Rs. 4 crores of foreign exchange are drained out of this country through reinsurance. It is a well-known fact that the larger the amount of business and the bigger the spread of business, you can attract more favourable treaty charges for reinsurance. It is a well-known fact that New India, due to its large business, receives full reciprocation for reinsurance premium ceded abroad. It receives more than it secedes. Smaller companies lose on reinsurance, and they are not in such a position as the big ones. A nationalised concern will be in a much better position than New India, because it will have a much greater spread of business and it will have a much larger volume of business than New India can ever aspire to have, and as a result, it will have more favourable treaty charges, and thereby it will not only save Rs. 4 crores but probably earn foreign exchange in the bargain.

Also, our vessels are now mostly insured in London, which is a drain on foreign exchange, and if we nationalise general insurance companies, we can, with our larger resources, insure our own fleet. This is very important aspect, because, as our plans go on, as one plan follows another, our maritime fleet is bound to increase.

Then there will be a saving in taxes. As I said, through rebates, many wrongful gains are made, and also through share speculations. The gains made through rebates are shown in false accounts and as a result we cannot detect the amount of surreptitious gains which are made. It has been conjectured or estimated by experts that about Rs. 2 crores go by way of surreptitious gains and at least Rs. 1 crore is lost in the shape of taxes. Perhaps much more is lost in that way and we can easily avoid that evasion of tax. All this is to the

[Shri Sadhan Gupta]

benefit of nationalisation of general insurance.

What can be said against nationalisation? I cannot conceive of anything being said against it except that the charges for compensation will be too high. I do not agree to that, because the charges for compensation cannot be too high. Because, the total assets of the insurers today, I believe, is about Rs. 63 crores, and the gross premium income already is Rs. 29,66,37,000. That premium income is bound to go up considerably and profits are bound to be made, and as a result, if we spread our compensation, we can easily take over the business and manage the compensation and in fact milk the business in future years. For paying compensation, there will not be any difficulty. Even if there be some difficulty in paying compensation, in view of the malpractices prevailing and in view of the economy that can be effected through nationalisation of general insurance, in view of the foreign exchange that can be saved, in view of the healthy growth and development that can be infused into the industry, in view of the benefit to the employees, in view of the benefit, through the expansion in the new venture, to the people, this is an undertaking worth going into. This is a thing that the Government should, in the interests of the country, undertake and find the money for.

**Shri P. R. Patel:** Mr. Chairman, I have heard my two hon. friends; they want that all general insurance work should be nationalised. I think with their ideology, they are on the right path, because they derive this thought from Russia, and in Russia everything is nationalised. So, it would be naturally proper for them to ask for nationalisation of general insurance. But let me tell you that Russia is not the only country in the world. In European countries, other than Russia, and in the United States and Canada and other countries, there are general

insurers. They do this work and there it is not with the public sector but in the private sector. (*Interruption*). I am not of the view that if need be it should not be nationalised. But we shall have to consider whether the country will gain thereby, that is, by nationalising general insurance.

Let us see the progress made by the general insurers in the last five years. We find that in 1953, the premium income was Rs. 16,52,74,000, and in 1958, the estimate was Rs. 24,97,79,000. So, the progress is about 45 per cent to 50 per cent. When we see the progress being made by the Indian companies, is it proper to create doubts in the insurance management that general insurance will be nationalised? Such doubts will rather hamper our progress.

Furthermore, we have to come in with the British companies because in India there are about 90 Indian companies and 87 non-Indian companies. Non-Indian companies are registered in U.K. and other countries and naturally they have got very good financial backing. If we loosely talk of nationalisation, naturally that would impede the progress which is being made in insurance work. So, I was proposing by my amendment, which has been disallowed, that we should declare that for 25 years there will be no nationalisation. After all, 25 years is not more in the life of a nation. My friends may be in haste because they want everything to be nationalised, but that is not our policy.

We have accepted both the private sector and the public sector. That is the Government's policy. At the time of nationalisation of life insurance, the matter was discussed and at that time we did not touch general insurance. The opinion of the country then expressed was, let life insurance be in the public sector and general insurance in the private sector. After that, the matter was discussed in the Rajya Sabha and there also, the same opinion was expressed. Again, we are discuss-

ing the matter today. What will be the repercussions on the insurance companies? The management will be always thinking, today the resolution has come for nationalising general insurance; after 2 or 3 years the same type of resolution may come and some day general insurance may be nationalised. So, they will not put all their life and vigor into the insurance work. When we see from the figures that they have made progress by about 50 per cent, I do not think there are proper grounds to interfere in their present working.

Let us consider the other thing also. Out of Rs. 24 crores, I think we are having Rs. 12 crores from abroad. Our Indian companies are doing insurance work abroad also and they get as much premium from abroad as they get within the country. It is a good sign. So, if we encourage our insurance companies, they will do better.

In 1953, the non-Indian companies were doing better work. In 1953 they got 43 per cent. gross premium income of the whole premium income of the country and today they are getting about 32 per cent or so. That shows that our companies are doing good work even in competition with the non-Indian companies.

**Shri Sadhan Gupta:** Rebating.

**Shri P. R. Patel:** For the satisfaction of my hon. friends, I would refer to some figures given in the *Indian Insurance Book*, 1959. (*Interruption*). At table 6, it is said that the net claims for Indian insurance was 39.9 per cent and the expense of management, including commission was 45.0 per cent. In the case of non-Indian companies registered in U.K. and other big countries, the expense of management including commission amounted to 50.6 per cent. Does it not show that our companies are managed economically? Does it not show that for their management and commission, our companies spend less than non-Indian insurers? If these figures do not

appeal to my friend, I have nothing to say to him. According to table 6, the net claims on risk covered paid by Indian insurance is 39.9 per cent. whereas in the case of non-Indian companies, it is only 23.3 per cent, which is less than the figure for Indian companies.

So also in regard to marine insurance. My friends will agree that we have to compete with foreign companies outside. Here also in the case of Indian insurers, the net claims come to about 69.4 per cent. For non-Indian insurers, it comes to 50.1 per cent. For expenses including commission, Indian insurers spend in marine insurance 27.8 per cent, while non-Indian insurers spend 38.3 per cent. This clearly indicates that our companies fare well in competing with the non-Indian insurers. At the same time, the expense ratio is much less compared to non-Indian companies. Regarding commission, from table 14 you will see that in India of the claims regarding fire the claims payable is 36.1 per cent, commission 14.3 per cent and expenses including business expenses etc. 32.8 per cent. In the United Kingdom registered Companies the claims payable is 22.8 per cent. commission 14 percent (a difference of 3 per cent) and expenses 32.6 per cent. In New Zealand registered companies the claim payable is 20.2 per cent, commission 13.9 and expenses 38.1 per cent. much more. In France the registered companies claims payable is 28.9 per cent, commission 14.9 per cent (much more than what we pay) and expenses 44.1 per cent. In the United States of America registered Companies the claims payable is 29.3 per cent, commission 14.4 per cent and expenses 39.9 per cent in fire. Here I do not refer to marine and miscellaneous insurance.

These show that our companies are doing well. The only argument against private insurance is that they do not take cattle insurance and crop insurance. But we are just beginning.

[Shri P. R. Patel]

After independence foreign companies were competing with them. Naturally, it will take time. For crop insurance, I think my friends must be knowing that the Punjab Government has made a very good beginning. Regarding cattle insurance, my friends who are sitting there, the Communist friends, they can ask the agriculturists to start one company and see how they manage. Whether they misappropriate or not, let time decide.

**Shri Sadhan Gupta:** We want you to nationalise.

**Shri P. R. Patel:** You have to start one company, gain experience and be wise thereby.

**Shri Sadhan Gupta:** We do not believe the private sector.

**Shri P. R. Patel:** There are some charges that more rebate is being paid. That is a universal disease, prevailing not only in India but all over the world. The reason is that the commission margin is 14 per cent. very much less. Since we are now managing four companies, Jupiter and others, I would like to know what the expense ratio of the Government is. Are we able to work them within 14 per cent or we have to pay more. When the commission to be paid cannot be more than 14 per cent, naturally travelling and other expenses are granted. If you want the companies to progress and if you cannot give more than 14 per cent as commission, then you have to give other facilities like travelling expenses and put them under management expenses. However, it is under control at the same time; it is not more. Because, our management expenses are much less than those of non-Indian insurance companies. In this context I want to read one article written by Shri Ajoy Das Gupta.

**Shri S. M. Banerjee:** Don't read that paper.

**Shri P. R. Patel:** I am not a puritan not to read Communist literature. I read all literature. If you come to my place you will find more books on Communism, because without studying them I cannot reply.

**Shri T. B. Vittal Rao:** We are happy to hear that.

**Shri P. R. Patel:** There are the remarks on malpractices, rebating, paying more rebate, more commission and writing them under other heads:

"These vices are not by any chance confined to the New Asiatic. Rather, the entire trade has been engulfed by them. Ask any manager of general insurance companies and he will tell you the way they have to secure business."

This is done in America and other countries also to secure more business. So, I would submit that my friends should not be averse . . .

**Shri Sadhan Gupta:** To illegalities.

**Shri P. R. Patel:** . . . to private sector doing insurance business. After all, the shareholders generally come from the common class. Now under the present rules a man who begins a new company has to have more shares, but if you see the position some 8 or 10 years ago, the figures will show that about 90 per cent of the shares are held by the common people and not by rich people. The fact that shares in the insurance companies are distributed among the common class shows that it is in reality in the public sector, in the real sense of the term, for which we have to coin a new word. Because, if any individual does any work that is in the private sector. If some family does business, that should also be termed private sector. But when shares are offered to people and they subscribe, that company should be called a public sector company. What is done by government in a sector should be called Government sector. My hon. friends desire that general

insurance should be in government sector.

They want it because in Russia, if I mistake not, they have got a State Insurance Company of the Soviet Union, called INGOSTARCH. However, to get re-insurance they had to start another company, called the Black Sea and Baltic Insurance Company, which acts as the outlet for placing re-insurance in London and other markets. So, for placing re-insurance and getting re-insurance they had to start a separate company, not in the Government sector. From this you will see that my friends who want that general insurance should be in Government sector are guided only by their ideology and nothing else.

If you look to the investment of these companies, a large part of it is with the Reserve Bank—see table 9. The security deposits of Indian Insurers with the Reserve Bank comes to Rs. 2,69,12,000. Other securities, that is, securities of municipal corporations and other bodies, comes to Rs. 8,55,000. Their investment in co-operative banks and debentures comes to Rs. 3,63,000. So the money is with the Reserve Bank, and the non-Indian insurers also put their money.

**Shri T. B. Vittal Rao:** Out of a total of how much? Will you give that also?

**Shri P. R. Patel:** I will give the total also, please do not make haste. The total is Table No. 7, They have their investments in Central Government securities, State Government securities, foreign government securities, municipal, co-operative and trust securities, debentures of Indian companies, preference shares of Indian companies and so on. And their assets in 1956 were Rs. 43 crores and in 1958 they went up to Rs. 51.79 crores. So they are increasing their assets, they are increasing their work, they are increasing their work abroad, and they are making progress. Under the circumstances whether it would be proper to nationalise general insurance is a

matter which has to be carefully considered.

The only argument that has been put in by my hon. friend is that they do speculation in shares, and if they lose anything they put it in the company. But my friend did not give any instances; it was a general remark. If such be the fact, naturally the auditors are there, and there is government control also. We have got two Acts to control this insurance business; one is the Insurance Act, and the other is the Company Law. We have amended the Company Law very recently and Government shall have more control over the companies. Now, with these two Acts, if there be anything wrong, Government will have powers to correct it.

My hon. friend says that New Asiatic wrote off their losses in subsequent years and made up the same. There is nothing wrong in it. If a man loses twenty lakhs of rupees and every year he writes off five lakhs and in the end makes good the loss, after all there is no misappropriation. It is writing off of losses.

**Shri Sadhan Gupta:** Why does not the auditor think so?

**Shri P. R. Patel:** In this case even the Government has been pleased to appoint two directors. So the question does not arise. Government has considered the matter. And there is one thing more, namely that this fact was brought to light by the directors in 1956. They took action against the two officers who did this. One was dismissed and the other was de-graded. And I think this happened in Canada. So the directors were prompt enough to take action, and this question came up before the Government perhaps in 1958. So, two years earlier the Company had taken action. My submission, therefore, is that when the directors find some fault, they take action.

What have we done? In the L.I.C. there was the Mundhra affair in which more than a crore of rupees was

[Shri P. R. Patel]

involved. What did we do for that? We won't like to de-nationalise life insurance, but we took action against the officers. Naturally, in any company where the directors find that some fraud is done by some officer, when the fraud comes to their knowledge, they take action. What more can they do?

For instance, you will find in our Audit Reports that there are instances of misappropriations here and there in several departments, and if some persons have been responsible, action would be there. Is it proper to say: nationalise the whole thing. That is no argument.

Then my hon. friend said that big companies are there and they are devouring a large part of the business and the small companies do not get business. For that what remedy do they offer? That all the companies be nationalised, large and small. Is that the way? In that case let us help the small companies, let us merge them with the big companies and put general insurance work on very healthy lines.

So my submission is that my friends, naturally, in their zeal and in view of their ideology have put in this resolution. But I think this is not the proper time. Let us wait and see. Let us see the work of general insurance for twenty or twenty-five years, and whichever be the government it will look into the matter then. That is all that I wish to submit.

**Shri Tridib Kumar Chaudhuri** (Berhampore): Mr. Chairman, I would not have commenced my speech with a reference to ideology but for the fact that our esteemed friend who spoke just before me and who was occupying these benches till the other day and has now crossed the floor has become very much vociferous in denouncing what he supposes to be communist ideology. Whenever any talk of nationalisation comes up, he equ-

ates it with communism. But may I remind him of a very modest document—I hope he will concede it is a modest document—known as the Objectives Resolution of the Avadi Congress. There the Congress Party itself has declared its objective as the establishment of a socialist pattern of society. And in the Economic Policy resolution of Avadi it has been specifically stated that the State will try gradually to occupy strategic positions in the industrial and investment field. It is from that point of view that I ask for the nationalisation of general insurance business.

We have already seen how the nationalisation of life insurance business has put almost the command of the investment market in the hands of the Government. We have seen, and we have known, how the so-called captains of industry and finance come and meet our L.I.C. chiefs, their Investment Committee people and even sometimes the Finance Minister to plead with him how to invest the investible funds that life insurance business has put at the disposal, command and control of the Government.

Here I would not deal with the scope for expansion of general insurance business.

It has already been stated here what a colossal premium income this general insurance has. Of course, it will expand many times more, but already we find that the total gross premium income of Indian insurers is to the tune of Rs. 30 crores and the net premium income of foreign insurer—I have here only the net premium income—would come to about Rs. 7,19,00,000. The gross premium income may be somewhat higher. The assets of the Indian insurers are Rs. 38½ crores and of the foreign insurers more than Rs. 11 crores. If we look at the way in which the total assets of general insurance business of Indian insurers are distributed, we find that nearly 27 per cent of their assets are invested in debentures of

Indian companies, preference shares of Indian companies, ordinary shares of Indian companies, land and house property and so on. That is to say nearly 30 per cent or one-third of the assets which goes for investment in the private sector would come into the hands of the public sector and to that extent the strategic command of the State over the public sector would increase.

This is neither socialism nor Communism. This is only one small part of the private sector business which the State must take under its control if it wants to retain the partial strategic control which it has already achieved by nationalising the life insurance business.

A reference has been made to the monopoly position of several companies and the name of one company, the New India, has already been mentioned here several times which controls an inordinately large proportion of this business. But according to the information that I have been able to collect I find that all the respectable names of our big business and all the leading monopoly capitalist groups are represented here. I do not want to attach any odium to these names. They are honourable houses serving business and industry according to their own likes and also make money. But I find that the Tatas are there—New India as everybody knows is a Tata concern—the Birlas are there, Fafatil Gaganbhai, Lala Shri Ram etc. are all there.

**Mr. Chairman:** I believe it is not proper to mention hon. Members' names.

**Shri Sadhan Gupta:** These are names of the houses that are represented.

**Shri Tridib Kumar Chaudhuri:** The general insurance business and the control over the premium income of this industry is one of the avenues through which these estimable gentlemen control our national economy. That is a power which we must take away from their hands.

I have only one other point. A point is sometimes made out that nationalisation of general insurance would not be very proper because under public management, general insurance business will not be able to make much headway. As you know, already, because certain General insurance companies were under the control of old private Life insurance companies and their business has been taken over by the L.I.C., these companies have also come practically under the management of the L.I.C., that is under public management. From the figures that I have in my hand, I find that this Government control, the General insurance companies have increased their net premium income within two years from Rs. 1 crores 22 lakhs to Rs. 2 crores and 64 lakhs in 1959. In the course of three years, they have increased their premium income more than 100 per cent. This is no mean achievement to the credit of the public sector and the L.I.C.

I can end my speech by expressing the hope that the hon. Minister will feel proud of the achievement of the L.I.C. and he would also show equal determination, because success is there, to take over General insurance business by the Government.

**Dr. Krishnaswami (Chingleput):** May we know how many Members are here I want the Members to be counted.

**Mr. Chairman:** After Five, Members are not counted.

**Shri Nath Pai (Rajapur):** If the Members are not counted, any conclusion the House has reached does not count.

**Mr. Chairman:** No, no.

17 hrs.

**The Deputy Minister of Finance (Shri B. R. Bhagat):** Mr. Chairman, I am very glad hon. Members have debated this important question. The hon. Mover of the Resolution, Shri T. B. Vittal Rao based his Reso-

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lution on three grounds. This is what he said. Because the L.I.C. has done a very good job, because the insurance of cattle and crop has to be taken up and developed, and also because there are large-scale malpractices in the working of General insurance, the panacea that he offers is that this business should be nationalised. In addition to that, his hon. colleague Shri Sadhan Gupta said that there is a lot of under-cutting going on, that there is scope, for economy and that there is a drain which he described as a large drain on foreign exchange, and on these additional grounds, General insurance should be nationalised.

My hon. friend, Shri P. R. Patel, who has studied this question, has been able to clear some of the issues. He has quoted from the Year Book and largely tried to show that the condition of the Indian insurance companies is not as bad as has been made out. He has shown that though there is room for much improvement, there has been a steady progress in their working. The main difference between the Indian and non-Indian companies lies in the fact that whereas non-Indian companies are able to attract qualitatively better business, the Indian companies are not able to do this, resulting in a higher claim ratio. Some of the Indian companies which have bigger dimensions of operation and much better qualitative business may show better profit, but on the whole the fact stands that the profit in this sector of insurance is not very high, at least not that much as has been made out.

I may give a rough estimate of the profits in general insurance business. Though in the Insurance Year Book of 1959 a total of Rs. 207 lakhs is shown as having been appropriated in various ways, it may be pointed out that only Rs. 40 lakhs out of this were provided for dividends and Rs. 20 lakhs carried forward, the entire balance being utilised for certain expenses, taxes, reserves etc. Rupees 40 lakhs for a paid-up capital of Rs. 10 crores comes to only 4 per cent.

Though a small number of Indian companies has been declaring steady dividends, it has to be pointed out that nearly 46 companies did not pay any dividend in respect of the year 1958. It may, therefore, be seen that there is not much profit in this business.

If we examine the points in favour of nationalising general insurance, we will soon come to the conclusion that they do not hold much water. Referring to the question of crop and cattle insurance, it has been said that if general insurance is nationalised, it will be able to take up any amount of business. In support of this argument it has been pointed out that the L.I.C. has been able to go to the rural areas. But I do not think that by mere nationalisation of general insurance, we will be able to enter fields which have not been covered as yet, particularly the rural field where crop or cattle insurance lies. It is the field of the State Governments. Some of the State Governments, as has been pointed out by the hon. Member, have taken up this question of cattle and crop insurance. They are very important in a rural economy, and a progressive rural economy will have a place for them, that is true, but to use that as an argument for nationalising general insurance, to say that nationalisation will give a fillip to cattle and crop insurance, has hardly any strength in it.

Similarly, he has said that L.I.C. has made phenomenal progress, therefore we must nationalise general insurance.

**Shri Sadhan Gupta:** Subsidiaries.

**Shri B. R. Bhagat:** Even the subsidiaries. Shri Tridib Kumar Chaudhuri says let us increase our strategic control of the private sector. He has quoted the Avadi resolution. I may say that we stand by socialism, we are building the foundations of socialism. The structure of socialism is coming up step by step. We have a dominant public sector which is growing, the pace of industrialisation is going up, we have a rural economy that is coming up, and the various plans are

building the foundation of socialism. Instead of directing our attention to building up the foundations of socialism, simply saying that we have only to take up nationalisation of a tiny sector of the economy irrespective of merits and that it will prove a bulwark of socialism is a view with which I do not agree.

Hon. Members would recall that when life insurance was nationalised, the then Finance Minister made a definite distinction between life insurance and general insurance business. Our position today stands the same. We took over life insurance for different reasons. The first was that we should have large resources for public funds, but, by nationalising general insurance, we were not going to get those resources. Secondly, general insurance business, or rather, the pattern of general insurance, particularly marine insurance was of such a highly technical nature that it would not be profitable or advisable to take it over. Of course, we have got three subsidiaries, and they are doing well, and we are getting very good experience in that line. That is true, and we want to continue that, and we want to develop that. But the point stands that if you look to the merits of the case, if you look to the various factors involved in it, if you have a realistic approach and not proceed in some undue enthusiasm, I think the case for nationalising general insurance is not a very strong one.

**Shri Tridib Kumar Chaudhuri:** May I ask one question?

**Shri B. R. Bhagat:** I shall answer all questions later. First, let me finish the points that I want to make.

The third plank for nationalisation is that there are malpractices. It is a very complicated issue. I agree with the hon. Member that there are malpractices in this business, I do not deny that, and every effort should be made, from the point of view of the industry as well as Government and Parliament

to stop such malpractices. Let us think about it, and see how we can remove them. I shall try to point out what those malpractices are and how we can remove them. To say that there should be regulation and control is one thing, but to say that we should nationalise the industry and then all these malpractices will disappear and all problems will disappear is quite another. I agree that there is room for improvement in the working of the companies, and there are many malpractices existing in their working. Let us examine what these malpractices are.

The first thing, as was pointed out by my hon. friend Shri Sadhan Gupta, is the practice of rebating and extra commission payment. There are other malpractices such as illegal rebates, payments of extra commissions and also falsification of accounts. If by any measure, such things are stopped or considerably reduced, then, naturally, the premia will be reduced. In advanced countries, the premia are being reduced from time to time by force of competition or by governmental regulation, so that the policyholders get the benefit of reduced premia. Here also, this should be done. If, therefore, these malpractices are stopped, it does not mean that all that amount would be a profit. Nationalisation merely with a view to curbing or stopping these malpractices will prove a mirage, as the benefit of such saving should go to the policyholders in the shape of lower premia.

Similarly, another point was made in regard to the drain in foreign exchange. It was said that because of reinsurance placed with companies outside India by the Indian insurers and foreign insurers operating in India, it appears that there is some loss of foreign exchange every year. Some figure was mentioned in this connection. I am not able to say whether that figure is correct, but it is admitted that there is loss of foreign exchange on this account; that is true; I admit that there is some loss of foreign exchange. This loss is perhaps due to

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the Indian insurers not being able to get sufficiently good terms from the re-insuring companies abroad, and to the foreign insurers operating in India not bringing into their Indian account the reinsurance business they obtain in exchange for re-insuring Indian business abroad. Any effort made to save this foreign exchange should be done in a direct manner—that is what I want to plead with the House—by some sort of regulation and control of reinsurance of Indian business abroad. Nationalisation by itself is no solution for this. Even after nationalisation, we cannot do away with reinsurance with countries abroad. Channelising of the reinsurance to be placed abroad through one or two big institutions or by gaining experience of bargaining with the foreign reinsurance market, it may be possible to reduce this loss of foreign exchange by stages, avoiding the loss altogether in due course.

Then it was said that foreign companies are ruling the roost and are taking away a big share, having a big monopoly. As is quite evident from the figures given in the *Insurance Year Book*, the share of business of the foreign insurance companies is going progressively down. From 40 per cent, it went down to 32 per cent or 33 per cent. The only point is that through their experience and operations they are able to get the type of business which is qualitatively better.

I have dealt with a number of points raised on specific matters. I do admit that all is not well with general insurance business in this country. There are several malpractices prevalent on a wide scale. I carefully refrain from any comparisons between this section of the private sector and other sections of the private sector in this matter of malpractices and evils. But I do say that Government are fully alive to the realities of the situation. In fact, I may say that Government have done their best in the matter within the limited scope of the powers available to them so far. I will examine this point much further to show that we

are trying to augment our powers of regulation and control as much as we can within the ambit of the legislative power available to us. Whenever undesirable features in the working of an insurance company have come to the notice of Government, they have promptly ordered an investigation into the affairs of the company, making use of the powers under section 33 of the Insurance Act. When the report of the investigation is received, Government take quick decisions against the party concerned within the limitations imposed by statute. There is a power given to Government by the Act to appoint one or two government directors on the board of directors of an insurance company. Under the General Insurance Act, we do not have the power to appoint an administrator, as we had on the life side. Whatever powers we have, we are fully utilising them to prevent any malpractices that may occur.

It is not desirable to mention the names of insurance companies against whom some action or other has been taken. But since the names of two insurance companies have been mentioned, I would like to inform the House how promptly we have acted in the matter and there is no cause for worry on that account. I am referring to the New Asiatic Insurance Company and Ruby General Insurance Company. When certain matters regarding these two companies came to the notice of Government, prompt steps were taken to get the affairs thoroughly investigated. How well the investigation was carried on may be seen from the findings of the investigation auditors in the case of the New Asiatic. The main points were disclosed to the House in answer to a question by my hon. colleague. Two Government Directors were appointed to the Board of Directors of the New Asiatic in order that they may locate the responsibility for the misdeeds. Their report is still awaited and it is hoped that it will be forthcoming soon, when Government will certainly con-

sider what further action has to be taken in the matter.

In the case of the Ruby, the salient points in the report of the investigation auditors were communicated to the company. The company's reply has been received recently. It is under consideration. I am mentioning this only to show that Government are doing their best taking all circumstances into consideration. Government are not to blame in any way if things in general insurance are not better than what they are at present.

In this connection, I may be permitted to say a word about how our machinery for regulation and control works. The Department of Insurance, the Department under the Controller of Insurance, a statutory officer, functions there. These powers are at present extremely limited as far as general insurance is concerned. But, even with this limitation, of powers and functions, the Department has been carrying on well and the general insurance companies, big and small, Indian and non-Indian are feeling the extreme efficiency of this Department and the effective enforcement of the provisions of the Insurance Act. The hon. Member was quoting some of these figures. Although the claims ratio is higher, the commission and the other factors were more comparable with other countries. They reflect the efficiency of this Department because we have been rather strict on these general insurance companies. For example, we have been insisting that the expense ratio must be maintained within a limit. Then, in the day to day functioning and other things we have been trying to tighten them up. The Department has been doing very useful service in bringing to the notice of the Government not only the failings and shortcomings of individual companies promptly but also the malpractices and evils in the business as a whole, at the same time going to the root causes and pointing out the fundamental defects. In the administration of statutory powers, the Department has been showing a com-

mendable impartiality and discharging its thankless tasks without fear or favour. Even our three government subsidiary companies have got to keep to the line though they have been doing well. So, in paying a marked tribute to this Department, I am doing no more than doing justice to it.

Now, there is one factor. We have talked about malpractices. But I would urge the House to appreciate this point that these malpractices are there not because there has been any overlooking on our part but because the trade has been functioning in a peculiar manner. There is mutual distrust and competition. In their mutual distrust, the companies are not tackling the root causes of their present plight. It is my bounden duty to tell these companies that they should shed their suspicion of one another, get together in a constructive spirit and tackle the fundamental evils. In any such genuine efforts they may make, they may count on the full and active co-operation of the Government. General insurance business is one section of business in India where there is a special Act, a separate Government Department to administer the Act, a statutory Association with its Executive Committee, Code of Conduct and Administrative machinery. Reference was made to that Code of Conduct. It may not have worked in certain matters; for example, in rebating, it may not have been very successful. But, certainly, in enforcing cash payments for premium—you know that the practice of credit was prevalent in that—it has been quite successful. So, although it has not been very effective to our desired extent, it has not been quite ineffective as it has been made out to be.

Then, there is the Administrative Machinery for which the Government has agreed to the Controller of Insurance being the head, and a statutory Tariff Committee and regional Committees to control and regulate the rates of premium and policy conditions. If with all these, the active

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and full-hearted co-operation of all insurance companies is not forthcoming to make the business cleaner and sounder, the Government cannot help taking further steps to improve matters. If we find that the business, as a whole, is not playing the game, certainly, we will come up and take further steps. If more powers are necessary, we will come to this House and arm ourselves with more legislative powers. But, certainly, we are not overlooking. We are not looking with idle gaze and seeing all these mal-practices going on.

The trade has so far failed to evolve a system of premium rates on a scientific basis. It has so far failed to check the foreign exchange drain involved in its present pattern of operations. It has so far failed to check the fundamental evil of payment of illegal rebates and the concomitant evil of falsification of accounts. The Government will not be looking on idly in the face of these failures on the part of the trade to set its house in order. I shall not take any more time of the House. I do not feel that there is any case for nationalisation of general insurance business. There are no resources to any significant extent for the purposes of our Plans, in this business. The profits in this business are slight. The evils in this business, to a large extent, may be found in some form or other elsewhere also. We cannot go on nationalising one thing after another on this ground. But I do not say that nothing need be done. 'Regulation and control' is the method we propose and Government will certainly be making 'regulation and control' more and more effective by taking additional powers whenever they become necessary and essential, until general insurance business is put on a very stable and solid basis.

Sir, with these words, I maintain that there is no case for nationalisation of general insurance at this stage. We have ample powers and I oppose this Resolution.

Shri Warior (Trichur): May I ask one information? How much amount

of premium are we paying from the public sector undertakings to the general insurance?

Shri B. R. Bhagat: I do not have that figure just now.

Shri T. B. Vittal Rao: Sir, I will not take much time of the House and I am also not disappointed by the Minister's speech because our experience in this House has been that though they reject our suggestions at the first instance, after sometime they come and do what we have said a little earlier. For instance, when we were demanding nationalisation of life insurance, the same thing was said but later on they did it. According to Shri P R. Patel, there should not have been any nationalisation of life insurance or the Imperial Bank of India or the Indian Airlines Corporation and the Air India International. All these things should not have been nationalised because they were showing progress and according to Shri Patel, when they show progress in the private sector, they should not be nationalised. Anyhow, they have been nationalised.

Now, I come to a recent example. We have been demanding for the last two years—a decision was taken by the Government to manufacture diesel locomotives in the private sector which we opposed—that they should be manufactured in the public sector. The Minister got annoyed and he was saying that the Government could not manufacture every bolt required for the railways in the public sector and that they had to depend upon the private sector. Now, what has happened? Only a few days ago, he made a statement that a decision had been taken to manufacture them in the public sector. Therefore, I am not at all disappointed at the Deputy Minister's speech asking the House to reject this Resolution.

But he has at least admitted one thing that there is a case for more

control and regulation, that the present powers were not enough, etc. He has seen the state of affairs in the New Asiatic. He says that a little more is required. If he is serious about regulation and control, he should have straightaway said in the House that the Government is coming forward with legislation for more powers. The same thing was debated in March in Rajya Sabha and the hon. Minister said so many things. We have seen the state of affairs in the New Asiatic and the Ruby?

If this insurance is also taken over, even the little drain that is going on in the foreign exchange can be stopped. Then, there should be some change in the investment pattern of this. Out of a sum of Rs. 52 crores with these companies, a little over Rs. 5 crores is invested in the reserves and Government securities. What is the percentage? Cannot this be increased? In the case of life insurance, when life insurance was not nationalised, there was a larger ratio.

In concluding, I say that I am grateful to all the Members of the House who have participated in this debate, including Shri Patel. Shri Patel has given figures which rather enlightened me but I do not agree with his conclusions. Even so, Sir, I thank him. Sir, with these few words I request the House to accept my resolution.

**Mr. Chairman:** Is Shri Tridib Kumar Chaudhuri pressing his amendment?

**Shri Tridib Kumar Chaudhuri:** No, Sir, I do not press it.

*The amendment was, by leave, withdrawn.*

**Mr. Chairman:** Shall I put the resolution to the vote of the House?

**Shri T. B. Vittal Rao:** Yes, Sir.

**Mr. Chairman:** The question is:

"This House is of opinion that General Insurance should be nationalised".

Those in favour may say 'Aye'.

**Some Hon. Members:** Aye.

**Mr. Chairman:** Those against may say 'No'.

**Some Hon. Members:** No.

**Mr. Chairman:** The 'Ayes' have it.

**Some Hon. Members:** The 'Noes' have it.

**Mr. Chairman:** We will have the division on Friday after next.

**Shri S. M. Banerjee:** Supposing we win, Sir, then this will delay nationalisation.

**Mr. Chairman:** We will think about that later on.

17.26 hrs.

#### BUSINESS OF THE HOUSE

**Shri B. R. Bhagat:** Sir, on behalf of the Minister of Parliamentary Affairs, I have to announce a little change in the programme for the next week as announced by him this morning. The change concerns discussion on the present position in regard to production, distribution and export of sugar on a motion to be made by Shri Rajendra Singh and others. This discussion is now proposed to be held on Wednesday, the 7th December, 1960, at 3 P.M. instead of 6th December, as already announced.

17.27 hrs.

#### RESOLUTION RE: NEW MARKING SYSTEM OF VOTING

**श्री विश्वेति मिश्र (बगहा) :** चेयरमैन साहब, मैं आपना संकल्प आपके सामने पेश करना चाहता हूँ, वह इस प्रकार है :

"इस सभा की यह राय है कि हाल ही में लोक सभा तथा राज