

**Bill No. 60 of 2009**

THE LIFE INSURANCE CORPORATION (AMENDMENT) BILL, 2009

A

BILL

*further to amend the Life Insurance Corporation Act, 1956.*

BE it enacted by Parliament in the Sixtieth Year of the Republic of India as follows:—

**1.** (1) This Act may be called the Life Insurance Corporation (Amendment) Act, 2009.

Short title and commencement.

(2) It shall come into force on such date as the Central Government may, by notification in the Official Gazette, appoint.

31 of 1956. 5

**2.** In the Life Insurance Corporation Act, 1956 (hereinafter referred to as the principal Act), for section 5, the following section shall be substituted, namely:—

Substitution of new section for section 5.

**"5. The paid-up equity capital of the Corporation shall be one hundred crore of rupees provided by the Central Government after due appropriation made by Parliament by law for the purpose and which may be enhanced to such an amount as the Central Government may, by notification, determine."**

Capital of Corporation.

Amendment of section 18.	<b>3.</b> In section 18 of the principal Act, sub-section (4) shall be omitted.	
Amendment of section 26.	<b>4.</b> In section 26 of the principal Act, for the words "once at least in every two years", the words "every year" shall be substituted.	
Substitution of new section for section 28.	<b>5.</b> For section 28 of the principal Act, the following section shall be substituted, namely:—	5
Surplus from life insurance business, how to be utilised.	"28. (1) If as a result of any investigation undertaken by the Corporation under section 26, any surplus emerges,— <p style="margin-left: 40px;">(a) ninety per cent. or more such surplus, as the Central Government may approve, shall be allocated to or reserved for the life insurance policy-holders of the Corporation;</p> <p style="margin-left: 40px;">(b) such percentage of remaining surplus as the Central Government may approve shall be credited to separate account maintained by the Corporation; and</p> <p style="margin-left: 40px;">(c) the remainder shall be paid as dividend.</p> <p>(2) The funds available in the account maintained by the Corporation under clause (b) of sub-section (1) shall be utilised for such purpose and in such manner as the Central Government may determine."</p>	10
Amendment of section 37.	<b>6.</b> In section 37 of the principal Act, for the words "by the Central Government", the words "to the extent as the Central Government may, by order, from time to time, determine" shall be substituted.	20
Amendment of section 44.	<b>7.</b> In section 44 of the principal Act, clause (b) shall be omitted.	
Amendment of section 48.	<b>8.</b> In section 48 of the principal Act, in sub-section (2), in clause (cc), the words "and agents" at both the places where they occur, shall be omitted.	
Amendment of section 49.	<b>9.</b> In section 49 of the principal Act, in sub-section (2),— <p style="margin-left: 40px;">(i) for clause (b), the following clause shall be substituted, namely:—</p> <p style="margin-left: 80px;">"(b) the method of recruitment of employees and agents of the Corporation and the terms and conditions of the agents;"</p> <p style="margin-left: 40px;">(ii) clause (j) shall be omitted.</p>	25

## STATEMENT OF OBJECTS AND REASONS

The Life Insurance Corporation Act, 1956 (the LIC Act) nationalised the life insurance business in India by transferring all life insurance business to a Corporation, namely, the Life Insurance Corporation of India (LIC), established for the purpose. This Act also provided for the regulation and control of the business of the LIC. The Insurance Act, 1938, however, remained as the principal law to regulate and exercise supervision over all entities transacting insurance business in India. With the enactment of the Insurance Regulatory and Development Authority Act, 1999, the insurance business was opened up to private sector, as a result of which, in addition to LIC, twenty-one private sector companies have started transacting life insurance business in the country.

2. The Insurance Regulatory and Development Authority (IRDA) while recommending amendments to the Insurance Act, 1938, the Insurance Regulatory and Development Authority Act, 1999 and the General Insurance Business (Nationalisation) Act, 1972 also made recommendations for amending the LIC Act in order to bring this Act in consonance with the Insurance Act, 1938. The Government thereafter also consulted LIC and finalised amendments to LIC Act, 1956.

3. The Life Insurance Corporation (Amendment) Bill, 2008 was introduced on the 22nd December, 2008 in the 14th Lok Sabha which lapsed due to dissolution of the 14th Lok Sabha .

4. The Central Government has decided to introduce the Life Insurance Corporation (Amendment) Bill, 2009, on the lines of the Life Insurance Corporation (Amendment) Bill, 2008 introduced in the 14th Lok Sabha proposing to amend the Life Insurance Corporation Act, 1956, *inter alia*, to—

- (i) provide for raising of minimum capital of the Life Insurance Corporation of India from five crore of rupees to hundred crore of rupees which can further be enhanced to such amount as the Central Government may, by notification, determine;
- (ii) provide sovereign guarantee to the policies of the Life Insurance Corporation to the extent to be determined by order, by the Central Government from time to time;
- (iii) allocate ninety per cent. or more of such surplus, as the Central Government may approve, for the life insurance policy-holders of the Life Insurance Corporation and to credit such percentage of remaining surplus as the Central Government may approve to a separate account maintained by the Life Insurance Corporation, to be utilised for such purpose as the Central Government may determine, and pay the remainder as dividend;
- (iv) empower Life Insurance Corporation to make regulations in respect of terms and conditions of the agents.

5. The Bill seeks to achieve the above objectives.

NEW DELHI;  
The 15th July, 2009.

PRANAB MUKHERJEE.

PRESIDENT'S RECOMMENDATION UNDER ARTICLE 117 AND 274 OF THE  
CONSTITUTION OF INDIA

---

[Copy of D.O.No. H. 12018/2/2009-Ins, IV dated the 23rd July, 2009 from Shri Pranab Mukherjee, Minister of Finance to the Secretary-General, Lok Sabha]

The President, having been informed of the subject matter of the proposed Bill Life Insurance Corporation (Amendment) Bill, 2009 recommends under Clause (1) of article 117 and clause (1) of article 274 of the Constitution the introduction of the Bill in Lok Sabha.

## FINANCIAL MEMORANDUM

Clause 2 of the Life Insurance Corporation (Amendment) Bill, 2009 seeks to raise the minimum capital of the Life Insurance Corporation of India from five crore of rupees to hundred crore of rupees which may be enhanced to such amount as the Central Government may, by notification, determine. The Bill, if enacted, will involve an enhancement of share capital by ninety-five crore of rupees to be provided by the Government of India after due appropriation made by Parliament, by law, for the said purpose.

The provisions of the Bill do not involve any other recurring or non-recurring expenditure.

## MEMORANDUM REGARDING DELEGATED LEGISLATION

Clause 9 of the Life Insurance Corporation (Amendment) Bill, 2009 proposes *inter alia* to amend section 49 of the Life Insurance Corporation Act, 1956 which confers powers upon the Life Insurance Corporation to make regulations under that section providing for the method of recruitment of employees and agents of the Life Insurance Corporation and the terms and conditions of the agents.

2. The regulation made under section 49 of the Life Insurance Corporation Act, 1956, shall be laid, as soon as they are made, before both Houses of Parliament.

3. The matters in respect of which regulations may be made are matters of procedure or administrative detail and it is not practicable to provide for them in the Bill itself. The delegation of legislative power is, therefore, of a normal character.

ANNEXURE

EXTRACTS FROM THE LIFE INSURANCE CORPORATION ACT, 1956

(31 OF 1956)

\* \* \* \* \*

**5.** (1) The original capital of the Corporation shall be five crores of rupees provided by the Central Government after due appropriation made by Parliament by law for the purpose, and the terms and conditions relating to the provision of such capital shall be such as may be determined by the Central Government. Capital of the Corporation.

(2) The Central Government may, on the recommendation of the Corporation, reduce the capital of the Corporation to such extent and in such manner as the Central Government may determine.

\* \* \* \* \*

CHAPTER V

MANAGEMENT

**18.** (1) \* \* \* \* \*

(4) There may be established as many divisional offices and branches in each zone as the Zonal Manager thinks fit. Offices, branches and agencies.

\* \* \* \* \*

**26.** The 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. Actuarial valuations.

\* \* \* \* \*

**28.** If as a result of any investigation undertaken by the Corporation under section 26 any surplus emerges, ninety-five per cent. of such surplus or such higher percentage thereof as the Central Government may approve shall be allocated to or reserved for the life insurance policy-holders of the Corporation and after meeting the liabilities of the Corporation, if any, which may arise under section 9, the remainder shall be paid to the Central Government or, if that Government so directs, be utilised for such purposes and in such manner as that Government may determine. Surplus from life insurance business how to be utilised.

\* \* \* \* \*

**37.** The sums assured by all policies issued by the Corporation including any bonuses declared in respect thereof and, subject to the provisions contained in section 14 the amounts assured by all policies issued by any insurer the liabilities under which have vested in the Corporation under this Act, and all bonuses declared in respect thereof, whether before or after the appointed day, shall be guaranteed as to payment in cash by the Central Government. Policies to be guaranteed by Central Government.

\* \* \* \* \*

**44.** Nothing contained in this Act shall apply in relation to— Act not to apply in certain cases.

\* \* \* \* \*

(b) any insurer to whom the Insurance Act does not apply by reason of the provisions contained in section 2E thereof;

\* \* \* \* \*

Power to  
make rules.

**48. (1)\*** \* \* \* \*

(2) In particular, and without prejudice to the generality of the foregoing power, such rules may provide for all or any of the following matters, namely:—

\* \* \* \*

(cc) the terms and conditions of service of the employees and agents of the Corporation, including those who became employees and agents of the Corporation on the appointed day under this Act,

\* \* \* \*

Power to  
make  
regulations.

**49. (1)\*** \* \* \*

(2) In particular, and without prejudice to the generality of the foregoing power, such regulations may provide for—

\* \* \* \*

(b) the method of recruitment of employees and agents of the Corporation;

\* \* \* \*

(j) the form and manner in which policies may be issued and contracts binding on the Corporation may be executed;

\* \* \* \*

LOK SABHA

---

A

BILL

further to amend the Life Insurance Corporation Act, 1956.

---

*(Shri Pranab Mukherjee, Minister of Finance )*