

## **LIFE INSURANCE CORPORATION ACT, 1956**

**31 of 1956**

**[18th June, 1956]**

### CONTENTS

#### **CHAPTER 1 :- PRELIMINARY**

1. Short title and commencement
2. Definitions

#### **CHAPTER 2 :- ESTABLISHMENT OF LIFE INSURANCE CORPORATION OF INDIA**

3. Establishment and incorporation of Life Insurance Corporation of India
4. Constitution of the Corporation
5. Capital of the Corporation

#### **CHAPTER 3 :- FUNCTIONS OF THE CORPORATION**

6. Functions of the Corporation
- 6A. Power to impose conditions, etc

#### **CHAPTER 4 :- TRANSFER OF EXISTING LIFE INSURANCE BUSINESS TO THE CORPORATION**

7. Transfer of assets and liabilities of existing insurers carrying on controlled business
8. Provident, superannuation and other like funds
9. General effect of vesting of controlled business
10. Provisions as to composite insurers
11. Transfer of service of existing employees of insurers to the Corporation
12. Transfer of services of existing employees of chief agents of insurers to the Corporation in certain cases
13. Duty to deliver possession of property and documents relating thereto
14. Power of Corporation to modify contracts of life insurance in certain cases
15. Right of Corporation to seek relief in respect of certain transactions of the insurer
16. Compensation for acquisition of controlled business
17. Constitution of Tribunal

## **CHAPTER 5 :- MANAGEMENT**

- 18. Offices, branches and agencies
- 19. Committees of the Corporation
- 20. Managing Directors
- 21. Corporation to be guided by the directions of Central Government
- 22. Zonal Managers
- 23. Staff of the Corporation

## **CHAPTER 6 :- FINANCE, ACCOUNTS AND AUDIT**

- 24. Funds of the Corporation
- 25. Audit
- 26. Actuarial valuations
- 27. Annual report of activities of Corporation
- 28. Surplus from life insurance business how to be utilized
- 28A. Profits from any business (other than life insurance business) how to be utilized
- 29. Report to be laid before Parliament

## **CHAPTER 7 :- MISCELLANEOUS**

- 30. Corporation to have the exclusive privilege of carrying on life insurance business
- 31. Exception in the case of insurance business in respect of persons residing outside India
- 32. Power of Corporation to have official seal in certain cases
- 33. Requirement of foreign laws to be complied with in certain cases
- 34. Revesting of certain shares vested in the Administrator-General
- 35. Repatriation of assets and liabilities in the case of foreign insurers in certain cases
- 36. Contracts of chief agents and special agents to terminate
- 37. Policies to be guaranteed by Central Government
- 38. Liquidation of Corporation
- 39. Special provisions for winding up of certain insurers
- 40. Penalty for withholding property, etc
- 41. Tribunal to have exclusive jurisdiction in certain matters
- 42. Enforcement of decisions of Tribunals
- 43. Application of the Insurance Act
- 43A. Deduction of Income-tax not to be made on interest or dividend
- 44. Act not to apply in certain cases
- 45. Special provisions regarding transfer of controlled business of certain composite insurers
- 46. Defects in constitution of Corporation or Committees not to invalidate acts or proceedings
- 47. Protection of action taken under Act
- 48. Power to make rules
- 48A. Act to apply to Goa, Daman and Diu subject to modifications

49. Power to make regulations

**SCHEDULE 1 :- PRINCIPLES FOR DETERMINING COMPENSATION**

**SCHEDULE 2 :-PRINCIPLESFOR DETERMINING THE VALUE OF LIABILITIES IN CERTAIN CASES**

**SCHEDULE 3 :-PRINCIPLESFOR DETERMINING COMPENSATION PAYABLE TO SPECIAL AGENTS**

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"To ensure absolute security to the policy-holder in the matter of his life insurance protection, to spread insurance much more widely and in particular to the rural areas, and as a further step in the direction of more effective mobilisation of public savings. Government have decided to nationalise life insurance business in India. An ordinance was promulgated in January, 1956, whereby pending the passing of a Bill to nationalise such business, the management of the life insurance business in India was vested in the Central Government. A Bill has been separately introduced to replace that Ordinance and the present Bill lays down the permanent arrangements for nationalisation. Under this Bill a Life Insurance Corporation of India will be set up, with a share capital provided entirely by the Central Government, which will undertake life insurance business in India as a monopoly and into this Corporation will be integrated all the Insurance Companies now engaged in life business, as also the organisations functioning under the control of State Governments and conducting such business for the benefit of the public. All the contracts for assurance executed by the Corporation will be guaranteed by the Central Government. The Schedules to the Bill lay down the principles governing grant of compensation to the Insurers whose business will be taken over by the Corporation."-Gaz. of Ind., 1956, Extra., Pt. II, sec. 2, page 36. Amending Act 1 of 1981.- 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 became necessary for Government to vest itself with powers to determine the terms and conditions of service of the employees and agents and streamline the salary structure. Hence the President

promulgated on 31st January, 1981, the Life Insurance Corporation (Amendment) Ordinance, 1981 to amend the Life Insurance Corporation Act, 1956 to empower the Central Government to frame rules regarding the terms and conditions of all classes of employees and agents of the Corporation and for matters connected therewith or incidental thereto. 2. The Bill seeks to replace the said Ordinance.-Gaz. of India, 23-2-1981, Pt. II, Sec. 2, Ext., p. 56.

CHAPTER 1  
PRELIMINARY

**1. Short title and commencement :-**

"-

(1) This Act may be called the Life Insurance Corporation Act, 1956.

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

**2. Definitions :-**

In this Act, unless the context otherwise requires,-

(1) "appointed day" means the date on which the Corporation is established under section 3.

CHAPTER 2  
ESTABLISHMENT OF LIFE INSURANCE CORPORATION OF INDIA

**3. Establishment and incorporation of Life Insurance Corporation of India :-**

(1) With effect from such date<sup>1</sup> as the Central Government may, by notification in the Official Gazette, appoint, there shall be established a Corporation called the Life Insurance Corporation of India.

(2) The Corporation shall be a body corporate having perpetual succession and a common seal with power, subject to the provisions of this Act, to acquire, hold and dispose of property, and may by its name sue and be sued.

1. Substituted for the word "fifteen" by the Public Financial Institutions Laws (Amendment) Act, 1975 (52 of 1975), sec. 40 (16-2-1976).

**4. Constitution of the Corporation :-**

(1) The Corporation shall consist of such number of persons not exceeding <sup>1</sup> [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.

(2) Before appointing a person to be a member, the Central Government shall satisfy itself that that person 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, and the Central Government shall also satisfy itself from time to time with respect to every member that he has no such interest; and any person who is, or whom the Central Government proposes to appoint and who has consented to be, a member shall, whenever required by the Central Government so to do, furnish to it such information as the Central Government considers necessary for the performance of its duties under this sub-section.

(3) A member who is in any way directly or indirectly interested in a contract made or proposed to be made by the Corporation shall, as soon as possible after the relevant circumstances have come to his knowledge disclose the nature of his interest to the Corporation; and the member shall not take part in any deliberation or discussion of the Corporation with respect to that contract.

1. Substituted for the word "fifteen" by the Public Financial Institutions Laws (Amendment) Act, 1975 (52 of 1975), sec. 40 (16-2-1976).

## **5. Capital of the Corporation :-**

(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.

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

## **CHAPTER 3**

### **FUNCTIONS OF THE CORPORATION**

## **6. Functions of the Corporation :-**

(1) Subject to the rules, if any, made by the Central Government in this behalf, it shall be the general duty of the Corporation to carry

on life insurance business, whether in or outside India, and the Corporation shall so exercise its powers under this Act as to secure that life insurance business is developed to the best advantage of the community.

(2) Without prejudice to the generality of the provisions contained in sub-section (1) but subject to the other provisions contained in this Act, the Corporation shall have power-

(a) to carry on capital redemption business, annuity certain business or re-insurance business in so far as such reinsurance business appertains to life insurance business;

(b) subject to the rules, if any, made by the Central Government in this behalf, to invest the funds of the Corporation in such manner as the Corporation may think fit and to take all such steps as may be necessary or expedient for the protection or realisation of any investment; including the taking over of and administering any property offered as security for the investment until a suitable opportunity arises for its disposal;

(c) to acquire, hold and dispose of any property for the purpose of its business;

(d) to transfer the whole or any part of the life insurance business carried on outside India to any other person or persons, if in the interests of the Corporation it is expedient so to do;

(e) to advance or lend money upon the security of any movable or immovable property or otherwise;

(f) to borrow or raise any money in such manner and upon such security as the Corporation may think fit;

(g) to carry on either by itself or through any subsidiary any other business in any case where such other business was being carried on by a subsidiary of an insurer whose controlled business has been transferred to and vested in the Corporation under this Act;

(h) to carry on any other business which may seem to the Corporation to be capable of being conveniently carried on in connection with its business and calculated directly or indirectly to render profitable the business of the Corporation;

(i) to do all such things as may be incidental or conducive to the proper exercise of any of the powers of the Corporation.

(3) In the discharge of any of its functions the Corporation shall act so far as may be on business principles.

**6A. Power to impose conditions, etc :-**

(1) In entering into any arrangement, under Section 6 , with any concern, the Corporation may impose such conditions as it may think necessary or expedient for protecting the interest of the Corporation and for securing that the accommodation granted by it is put to the best use by the concern.

(2) Where any arrangement entered into by the Corporation under Section 6 with any concern provides for the appointment by the Corporation of one or more directors of such concern, such provision and any appointment of directors made in pursuance thereof shall be valid and effective notwithstanding anything to contrary contained in the Companies Act, 1956, or in any other law for the time being in force or in the memorandum, articles of association or any other instrument relating to the concern, and any provision regarding share qualification, age limit, number of directorship, removal from office of directors and such like conditions contained in any such law or instrument aforesaid, shall not apply to any director appointed by the Corporation in pursuance of the arrangement as aforesaid.

(3) Any director appointed as aforesaid shall-

(a) hold office during the pleasure of the Corporation and may be removed or substituted by any person by order in writing by the Corporation;

(b) not incur any obligation or liability by reason only of his being a director or for anything done or omitted to be done in good faith in the discharge of his duties as a director or anything in relation thereto;

(c) not be liable to retirement by rotation and shall not be taken into account for computing the number of directors liable to such retirement." ]

CHAPTER 4

TRANSFER OF EXISTING LIFE INSURANCE BUSINESS TO THE CORPORATION

**7. Transfer of assets and liabilities of existing insurers carrying on controlled business :-**

(1) On the appointed day there shall be transferred to and vested

in the Corporation all the assets and liabilities appertaining to the controlled business of all insurers.

(2) The assets appertaining to the controlled business of an insurer shall be deemed to include all rights and powers, and all property, whether movable or immovable, appertaining to his controlled business, including, in particular, cash balances, reserve funds, investments, deposits and all other interests and rights in or arising out of such property as may be in the possession of the insurer and all books of account or documents relating to the controlled business of the insurer, and liabilities shall be deemed to include all debts, liabilities and obligations of whatever kind then existing and appertaining to the controlled business of the insurer.

(3) Where any such assets are subject to any trust referred to in sub-section (6) of Section 27 of the Insurance Act or to any other trust for the benefit of policy-holders, the assets shall be deemed to have vested in the Corporation free from any such trust.

#### **8. Provident, superannuation and other like funds :-**

(1) Where an insurer whose controlled business is to be transferred to and vested in the Corporation under Section 7 , has established a provident or superannuation fund or any other life fund for the benefit of his employees and constituted a trust in respect thereof (hereinafter in this section referred to as an existing trust), the moneys standing to the credit of any such fund on the appointed day, together with any other assets belonging to such fund, shall subject to the provisions of sub-section (2), stand transferred to and vest in the Corporation on the appointed day free from any such trust.

(2) Where all the employees of any such insurer do not become employees of the Corporation under Section 11 , the moneys and other assets belonging to any such fund as is referred to in sub-section (1), shall be apportioned between the trustees of the fund and the Corporation in the prescribed manner; and in case of any dispute regarding such apportionment, the decision of the Central Government thereon shall be final.

(3) The Corporation shall, as soon as may be after the appointed day, constitute in respect of the moneys and other assets which are transferred to and vested in it under this section, one or more trusts having objects as similar to the objects of the existing trusts as in the circumstances may be practicable.

(4) Where all the moneys and other assets belonging to an, existing trust are transferred to and vested in the Corporation under this section, the trustees of such trust, shall as from the appointed day, be discharged from the trust, except as respects things done or omitted to be done before the appointed day.

**9. General effect of vesting of controlled business :-**

(1) Unless otherwise expressly provided by or under this Act, all contracts, agreements and other instruments of whatever nature subsisting or having effect immediately before the appointed day and to which an insurer whose controlled business has been transferred to and vested in the Corporation is a party or which are in favour of such insurer shall in so far as they relate to the controlled business of the insurer be of as full force and effect against or in favour of the Corporation, as the case may be, and may be enforced or acted upon as fully and effectually as if instead of the insurer, the Corporation had been a party thereto or as if they had been entered into or issued in favour of the Corporation.

(2) If on the appointed day any suit, appeal or other legal proceeding of whatever nature is pending by or against an insurer, then, in so far as it relates to his controlled business it shall not abate, be discontinued or be in any way prejudicially affected by reason of the transfer to the Corporation of the business of the insurer or of anything done under this Act, but the suit, appeal or other proceeding may be continued, prosecuted and enforced by or against the Corporation,

**10. Provisions as to composite insurers :-**

(1) For the removal of doubts it is hereby declared that in any case where an insurer whose controlled business has been transferred to and vested in the Corporation under this Act is a composite insurer, the provisions of the preceding sections shall only apply to the extent to which any property appertains to his controlled business and to rights and powers acquired, and to debts, liabilities and obligations incurred, and to contracts, agreements and other instruments made by the insurer for the purposes of his controlled business and to legal proceedings relating to those purposes, and the provisions of those sections shall be construed accordingly.

(2) The Central Government may, by rules made in this behalf, provide-

(a) for the determination of the question whether any property appertains to his controlled business or whether any rights, powers, debts, liabilities or obligations were acquired or incurred or any contract, agreement or other instrument was made by the insurer for the purposes of his controlled business or whether any documents relate to those purposes;

(b) for the allocation of the paid-up capital or assets representing such paid-up capital, as the case may be, between the controlled business of the insurer and any other business;

(c) for substituting for any agreements entered into by any insurer partly for the purposes of his controlled business and partly for other purposes separate agreements in the requisite terms and for any apportionments and indemnities consequent thereon;

(d) for the severance of leases comprising property of which part only is transferred to and vested in the Corporation by virtue of this Act and for apportionments consequent on such severance;

(e) for the apportionment and the making of financial adjustments with respect to any debts, liabilities or obligations incurred by any such insurer partly for the purposes of his controlled business and partly for other purposes and for any necessary variation of mortgages and encumbrances relating to such debts, liabilities or obligations;

(f) for the apportionment of the moneys and other assets belonging to any provident or superannuation fund or any other like fund to which the provisions of Section 8 do not apply between persons employed in connection with the controlled business of an insurer and other persons;

(g) for any other matters Supplementary to or consequential on the matters aforesaid for which provision appears to be necessary or expedient.

(3) All rules made under this section shall be laid for not less than thirty days before both Houses of Parliament as soon as possible after they are made, and shall be subject to such modifications as Parliament may make during the session in which they are so laid or the session immediately following.

(4) Where at any time before the expiration of six months from the appointed day a question has arisen under this section or under

any rules made thereunder as to whether any property is or was held or used by the insurer for the purposes of his controlled business the question shall be referred to the Tribunal for decision.

**11. Transfer of service of existing employees of insurers to the Corporation :-**

(1) Every whole-time employee of an insurer whose controlled business has been transferred to and vested in the Corporation and who was employed by the insurer wholly or mainly in connection with his controlled business, immediately before the appointed day shall, on and from the appointed day, become an employee of the Corporation, and shall hold his office therein by the same tenure, at the same remuneration and upon the same terms and conditions and with the same rights and privileges as to pension and gratuity and other matters as he would have held the same on the appointed day if this Act had not been passed, and shall continue to do so unless and until his employment in the Corporation is terminated or until his remuneration, terms and conditions are duly altered by the Corporation: Provided that nothing contained in this sub-section shall apply to any such employee who has, by notice in writing given to the Central Government prior to the appointed day, intimated his intention of not becoming an employee of the Corporation.

**1** [(2) Where the Central Government is satisfied that for the purpose of securing uniformity in the scales of remuneration and the other terms and conditions of service applicable to employees of insurers whose controlled business has been transferred to, and [Vested in the Corporation], it is necessary so to do, or that, in the interests of the Corporation and its policy-holders, a reduction in the remuneration payable, or a revision of the other terms and conditions of service applicable, to employees or any class of them is called for the Central Government may, notwithstanding anything contained in sub-section (1), or in the Industrial Disputes Act, 1947, or in any other law for the time being in force, or in any award, settlement or agreement for the time being in force, alter (whether by way of reduction or otherwise) the remuneration and the other terms and conditions of service to such extent and in such manner as it thinks fit, and if the alteration is not acceptable to any employee, the Corporation may terminate his employment by giving him compensation equivalent to three months' remuneration unless the contract of service with such employee provides for

a shorter notice of termination.

(3) If any question arises as to whether any person was a whole-time employee of an insurer or as to whether any employee was employed wholly or mainly in connection with the controlled business of an insurer immediately before the appointed day, the question shall be referred to the Central Government whose decision shall be final.

(4) Notwithstanding anything contained in the Industrial Disputes Act, 1947, or in any other law for the time being in force, the transfer of the services of any employee of an insurer to the Corporation shall not entitle any such employee to any compensation under that Act or other law, and no such claim shall be entertained by any Court, Tribunal or other authority.

1. Bombay is the place so specified-See S.R.O. 1939, dated 30-8-1956, published in Gaz. of Ind., 1956, Extra, Pt. II, section 3, page 1799.

**12. Transfer of services of existing employees of chief agents of insurers to the Corporation in certain cases :-**

Subject to such rules as the Central Government may make in this behalf, every whole-time salaried employee of a chief agent of an insurer whose controlled business has been transferred to and vested in the Corporation and,-

(a) who was employed by the chief agent wholly or mainly in connection with the controlled business of the insurer;

(b) whose salary on the appointed day did not exceed five hundred rupees per mensem; and

(c) who was in the employment of the chief agent for a continuous period of not less than one year immediately before the appointed day; shall, on and from the appointed day, become an employee of the Corporation and the provisions of Section 11 shall, so far as may be, apply in relation to such employee as they apply in relation to a whole-time employee of the insurer: Provided that this section shall not apply except in cases where the chief agent of the insurer was required under the terms of his contract with the insurer to render the prescribed services to policy-holders of the insurer.

**13. Duty to deliver possession of property and documents relating thereto :-**

( 1 ) Where any property appertaining to the controlled business of an insurer has been transferred to and vested in the Corporation under this Act, then,-

(a) every person, in whose possession, custody or control any such property may be, shall deliver the property to the Corporation forthwith ;

(b) any person who, on the appointed day, has in his possession, custody or control any books, documents or other papers relating to such controlled business shall be liable to account for the said books, documents and papers to the Corporation, and shall deliver them to the Corporation or to such person as the Corporation may direct.

(2) In particular, all the assets of an insurer appertaining to life insurance business held in deposit by the Reserve Bank of India under the Insurance Act or by trustees in trust shall be delivered to the Corporation.

(3) Without prejudice to the other provisions contained in this section, it shall be lawful for the Corporation to take all necessary steps for securing possession of all properties which have been transferred to and vested in it under this Act.

**14. Power of Corporation to modify contracts of life insurance in certain cases :-**

The Corporation may, having regard to the financial condition on the appointed day of any insurer whose controlled business has been transferred to and vested in the Corporation, reduce the amounts of insurance under contracts of life insurance entered into by such insurer before the 19th day of January 1956, in such manner and subject to such conditions as it thinks fit: Provided that no such reduction shall be made except in accordance with a scheme prepared by the Corporation, in this behalf and approved by the Central Government.

**15. Right of Corporation to seek relief in respect of certain transactions of the insurer :-**

(1) Where an insurer whose controlled business has been transferred to and vested in the Corporation under this Act, has at any time within five years before the 19th day of January 1956,-

(a) made any payment to any person without consideration;

(b) sold or disposed of any property of the insurer without consideration or for an inadequate consideration;

(c) acquired any property or rights for an excessive consideration;

(d) entered into or varied any agreement so as to require an excessive consideration to be paid or given by the insurer;

(e) entered into any other transaction of such an onerous nature as to cause a loss to, or impose a liability on, the insurer exceeding any benefit accruing to the insurer;

(f) if a composite insurer, transferred any property from his life department to his general department without consideration or for an inadequate consideration; and the payment, sale, disposal, acquisition, agreement or variation thereof or other transaction or transfer was not reasonably necessary for the purpose of the controlled business of the insurer or was made with an unreasonable lack of prudence on the part of the insurer, regard being had in either case to the circumstances at the time, the corporation may apply for relief to the Tribunal in respect of such transaction, and all parties to the transaction shall, unless the Tribunal otherwise directs, be made parties to the application.

(2) The Tribunal may make such order against any of the parties to the application as it thinks just having regard to the extent to which those parties were respectively responsible for the transaction or benefited from it and all the circumstances of the case.

(3) Where an application is made to the Tribunal under this section in respect of any transaction and the application is determined in favour of the Corporation, the Tribunal shall have exclusive jurisdiction to determine any claims outstanding in respect of the transaction.

#### **16. Compensation for acquisition of controlled business :-**

(1) Where the controlled business of an insurer has been transferred to and vested in the Corporation under this Act, compensation shall be given by the Corporation to that insurer in accordance with the principles contained in the First Schedule.

(2) The amount, of the compensation to be given in accordance with the aforesaid principles shall be determined by the Corporation in the first instance, and if the amount so determined is approved

by the Central Government, it shall be offered to the insurer in full satisfaction of the compensation payable to him under this Act, and if, on the other hand, the amount so offered is not acceptable to the insurer, he may, within such time as may be prescribed for the purpose, have the matter referred to the Tribunal for decision.

### **17. Constitution of Tribunal :-**

(1) The Central Government may for the purposes of this Act constitute one or more Tribunals and each of the Tribunals shall consist of three members appointed by the Central Government one of whom shall be a person who is, or has been, a Judge of a High Court or has been a Judge of the Supreme Court, and he shall be the Chairman thereof.

(2) A Tribunal may choose one or more persons possessing special knowledge of any matter relating to any case under inquiry to assist the Tribunal in determining any question which has to be decided by it under this Act.

(3) Every Tribunal shall have the powers of a Civil Court while trying a suit under the Code of Civil Procedure, 1908 in respect of the following matters :-

(a) summoning and enforcing the attendance of any person and examining him on oath;

(b) requiring the discovery and production of documents;

(c) receiving evidence on affidavits;

(d) issuing commissions for the examination of witnesses or documents.

(4) Every Tribunal shall have power to regulate its own procedure and decide all matters within its competence, and may review any of its decisions in the event of there being a mistake on the face of the record or correct any arithmetical or clerical error therein.

### **CHAPTER 5** **MANAGEMENT**

### **18. Offices, branches and agencies :-**

(1) The central office of the Corporation shall be at such place as the Central Government may, by notification<sup>1</sup> in the Official Gazette, specify.

(2) The Corporation shall establish a zonal office at each of the following places, namely, Bombay, Calcutta, Delhi, Kanpur and Madras, and subject to the previous approval of the Central Government, may establish such other zonal offices as it thinks fit.

(3) The territorial limits of each zone shall be such as may be specified by the Corporation.

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

1. Substituted for the words "seven members of whom not less than three" by the Public Financial Institutions Laws (Amendment) Act, 1975 (52 of 1975), S. 42 (16-2-1976).

### **19. Committees of the Corporation :-**

(1) The Corporation may entrust the general superintendence and direction of its affairs and business to an Executive Committee consisting of not more than five of its members and the Executive Committee may exercise all powers and do all such acts and things as may be delegated to it by the Corporation.

(2) The 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 not more than <sup>1</sup> [eight members of whom not less than four] shall be members of the Corporation and the remaining members shall be persons (whether members of the Corporation or not) who have special knowledge and experience in financial matters, particularly matters relating to investment of funds.

(3) The Corporation may constitute such other Committees as it may think fit for the purpose of discharging such of its functions as may be delegated to them.

"The Committee feel that the constitution of an Investment Committee to advice the Corporation in matters relating to the investment of its funds is very much necessary and it should find specific mention in this clause. The clause has, therefore, been recast accordingly."-S.C.R.

1. Substituted for the words "seven members of whom not less than three" by the Public Financial Institutions Laws (Amendment) Act, 1975 (52 of 1975), S. 42 (16-2-1976).

### **20. Managing Directors :-**

The Corporation may appoint one or more persons to be the Managing Director or Directors of the Corporation, and every

Managing Director shall be a whole-time officer of the Corporation, and shall exercise such powers and perform such duties as may be entrusted or delegated to him by the Executive Committee or the Corporation.

**21. Corporation to be guided by the directions of Central Government :-**

In the discharge of its functions under this Act, the Corporation shall be guided by such directions in matters of policy involving public interest as the Central Government may give to it in writing; and if any question arises whether a direction relates to a matter of policy involving public interest, the decision of the Central Government thereon shall be final.

**22. Zonal Managers :-**

(1) The Corporation may entrust the superintendence and direction of the affairs and business of a zonal office to a person, whether a member or not, who shall be known as the Zonal Manager and the Zonal Manager shall perform all such functions of the Corporation as may be delegated to him with respect to the area within the jurisdiction of the zonal office.

(2) The Corporation may constitute for each zone a Board consisting of such number of persons as it thinks fit to appoint thereto for the purpose of advising the Zonal Manager in respect of such matters as are referred to it under the regulations made by the Corporation.

(3) The Corporation shall constitute in the prescribed manner for each zonal office an Employees and Agents Relations Committee consisting of such number of persons as it thinks fit and every such Committee shall consist of representatives of the Corporation and of its employees and agents, so however, that the number of representatives of the employees and agents on the Committee shall not be less than the number of representatives of the Corporation and it shall be the duty of the Committee to advise the Zonal Manager on matters which relate to the welfare of the employees and agents of the Corporation or which are likely to promote and secure amity and good relations between them and the Corporation.

**23. Staff of the Corporation :-**

(1) For the purpose of enabling it to discharge its functions under

this Act, the Corporation may employ such number of persons as it thinks fit.

(2) Every person employed by the Corporation or whose services have been transferred to the Corporation under this Act, shall be liable to serve anywhere in India.

#### CHAPTER 6

#### FINANCE, ACCOUNTS AND AUDIT

#### **24. Funds of the Corporation :-**

The Corporation shall have its own fund and all receipts of the Corporation shall be credited thereto and all payments of the Corporation shall be made therefrom.

#### **25. Audit :-**

(1) The accounts of the Corporation shall be audited by auditors duly qualified to act as auditors of companies under the law for the time being in force relating to companies, and the auditors shall be appointed by the Corporation with the previous approval of the Central Government and shall receive such remuneration from the Corporation as the Central Government may fix.

(2) Every auditor in the performance of his duties shall have at all reasonable times access to the books, accounts and other documents of the Corporation.

(3) The auditors shall submit their report to the Corporation and shall also forward a copy of their report to the Central Government.

#### **26. Actuarial valuations :-**

The Corporation shall, once at least in every two years, cause an investigation to be made by actuaries into the financial condition of the <sup>1</sup> [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.

1. Some sections of the Insurance Act, 1938, as specified in section 43(2) of the Life Insurance Corporation Act, 1956 modified by G.S.R., 734 dated 23-8-1958 published in Gaz. of India, 23-8-1958, Pt. II, S.3(i), Ext., p. 367 and as amended subsequently are made applicable to Life Insurance Corporation. The G.S.R. 734 dt.23-8-1958 provides that "unless otherwise expressly provided, references to an insurer by whatever form of words in the sections hereby made applicable to Life Insurance Corporation of India shall be construed as references to the Life Insurance Corporation of India". The modified sections are reproduced below the Objects and

Reasons for ready reference please,.....Ed.

**27. Annual report of activities of Corporation :-**

The Corporation shall, as soon as may be, after the end of each financial year, prepare and submit to the Central Government in such form as may be prescribed a report giving an account of its activities during the previous financial year, and the report shall also give an account of the activities, if any which are likely to be undertaken by the Corporation in the next financial year.

**28. Surplus from life insurance business how to be utilized**

:-

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 utilized for such purposes and in such manner as that Government may determine.]

**28A. Profits from any business (other than life insurance business) how to be utilized :-**

<sup>1</sup> If for any financial year profits accrue from any business (other than life insurance business) carried on by the Corporation, then, after making provision for reserves and other matters for which provision is necessary or expedient, the balance of such profits shall be paid to the Central Government.]

1. Some sections of the Insurance Act, 1938, as specified in section 43(2) of the Life Insurance Corporation Act, 1956 modified by G.S.R., 734 dated 23-8-1958 published in Gaz. of India, 23-8-1958, Pt. II, S.3(i), Ext., p. 367 and as amended subsequently are made applicable to Life Insurance Corporation. The G.S.R. 734 dt.23-8-1958 provides that "unless otherwise expressly provided, references to an insurer by whatever form of words in the sections hereby made applicable to Life Insurance Corporation of India shall be construed as references to the Life Insurance Corporation of India". The modified sections are reproduced below the Objects and Reasons for ready reference please,.....Ed.

**29. Report to be laid before Parliament :-**

The Central Government shall cause the report of the auditors under Section 25 , the report of the actuaries under Section 26 and the report giving an account of the activities of the Corporation

under Section 27 to be laid before both Houses of Parliament as soon as may be after each such report is received by the Central Government.

#### CHAPTER 7

#### MISCELLANEOUS

### **30. Corporation to have the exclusive privilege of carrying on life insurance business :-**

Except to the extent otherwise expressly provided in this Act on and from the appointed day, the Corporation shall have the exclusive privilege of carrying on life insurance business in India; and on and from the said day any certificate of registration under the Insurance Act held by any insurer immediately before the said day shall cease to have effect in so far as it authorizes him to carry on life insurance business in India.

### **31. Exception in the case of insurance business in respect of persons residing outside India :-**

(1) Notwithstanding anything contained in Section 30 or in the Insurance Act, the Central Government may, by order, permit any person who has made an application in that behalf, to carry on life insurance business in India in respect of the lives of persons ordinarily resident outside India, subject to such restrictions and conditions as may be specified in the order and any such order shall be deemed to have effect as if it were a certificate of registration issued by the Controller to such person under Section 3 of the Insurance Act in respect of that class of business.

(2) Nothing in sub-section (1) shall authorize any person permitted to carry on life insurance business of the nature referred to in that sub-section, to insure the life of any person ordinarily resident outside India, during any period of his temporary residence in India.

### **32. Power of Corporation to have official seal in certain cases :-**

The Corporation may have for use in any zonal office, divisional office or in any office outside India an official seal which shall be a facsimile of the common seal of the Corporation with the addition on its face of the name of the zonal office, divisional office or other office where it is to be used, and any such official seal may be affixed to any deed or document to which the Corporation is a party.

**33. Requirement of foreign laws to be complied with in certain cases :-**

Where any property or rights appertaining to the controlled business of an insurer are transferred to and vested in the Corporation under this Act or would be so transferred and vested but for the fact that such transfer and vesting are governed otherwise than by the law of India, the insurer shall comply with such directions as may be given to him by the Corporation for the purpose of securing that the ownership of the property or, as the case may be, that the right is effectively transferred to the Corporation.

**34. Revesting of certain shares vested in the Administrator-General :-**

Notwithstanding anything contained in the Insurance Act, all shares which have vested in the Administrator-General of any State under sub-section (8) of Section 6A of that Act and which have not been disposed of in accordance with the provisions of that sub-section before the appointed day shall, on payment of the amount of expenditure, if any, incurred by the Administrator-General in relation to such shares by the persons who would have been entitled to those shares if the said sub-section had not been enacted, revert in such persons.

**35. Repatriation of assets and liabilities in the case of foreign insurers in certain cases :-**

(1) Any insurer incorporated outside India may, before the appointed day, make an application to the Central Government stating that among the assets appertaining to the controlled business of the insurer there are assets brought into India by the insurer for the purpose of building up his life insurance business in India which notwithstanding anything contained in Section 7 , should not be transferred to and vested in the Corporation.

(2) On receipt of an application under sub-section (1), the Central Government shall determine the value of the assets of the insurer appertaining to his controlled business in existence on the 31st day of December, 1955, computed as at that date in accordance with the provisions contained in paragraph 3 of Part B of the First Schedule, and deduct therefrom the total amount of the liabilities of the insurer appertaining to his controlled business in existence on the 31st day of December, 1955, computed as at that date in accordance with the provisions contained in the Second Schedule;

and if there is any excess, the Central Government may, by order, direct that such assets equivalent in value to the excess as may be specified in the order shall not be transferred to or vested in the Corporation or where the order is made after the appointed day, that the Corporation shall be divested of the said assets.

(3) In the case of any insurer incorporated outside India, the Central Government may also, by order, direct that any such liabilities in respect of life insurance policies expressed in any foreign currency issued on the lives of persons who are not citizens of India as are specified in the order together with any such assets necessary to meet the liabilities, as may be so specified, shall not be transferred to or vested in the Corporation or, if the order is made after the appointed day, that the Corporation shall be divested of such liabilities and assets as aforesaid.

(4) The amount of liabilities in respect of the policies referred to in an order made under sub-section (3) shall be computed as at 31st day of December 1955,-

(a) in any case where in respect of the insurer concerned an order has been made under sub-section (2), in accordance with the provisions contained in clause (b) of the Second Schedule; and

(b) in any other case, in accordance with method A specified in the Second Schedule.

(5) Every order made by the Central Government under this section shall be carried out ' by the Corporation in such manner as the Central Government may direct.

### **36. Contracts of chief agents and special agents to terminate :-**

Notwithstanding anything contained in the Insurance Act or in any other law for the time being in force, every contract appertaining to controlled business subsisting immediately before the appointed day,-

(a) between an insurer and his chief agent or between an insurer and a special agent; or

(b) between the chief agent of an insurer and a special agent; shall, as from the appointed day cease to have effect and all rights accruing to the chief agent or the special agent under any such contract shall terminate on that day: Provided that in every such

case compensation shall be given by the Corporation to the chief agent or the special agent, as the case may be, in accordance with the principles contained in the Third Schedule, and the provisions of sub-section (2) of Section 16 shall, so far as may be apply in every such case.

**37. Policies to be guaranteed by Central Government :-**

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.

**38. Liquidation of Corporation :-**

No provision of law relating to the winding up of companies or corporations shall apply to the Corporation established under this Act, and the Corporation shall not be placed in liquidation save by order of the Central Government and in such manner as that Government may direct.

**39. Special provisions for winding up of certain insurers :-**

Where any insurer being a company (other than a composite insurer) whose controlled business has been transferred to and vested in the Corporation under this Act has, in accordance with the provisions of this Act, collected and distributed any moneys paid to him by the Corporation by way of ompensation or otherwise and has also complied with any direction given to him by the Corporation for the purpose of securing that the ownership of any property, or any right is effectively transferred to the Corporation, the Central Government may, on application being made to it in this behalf by such insurer grant a certificate to the insurer that there is no reason for the continued existence of the insurer and where such a certificate has been granted shall cause the certificate to be published in the Official Gazette and upon the publication thereof the insurer shall be dissolved.

**40. Penalty for withholding property, etc :-**

If any person wilfully withholds or fails to deliver to the Corporation as required by Section 13 , any property or any books, documents or other papers which may be in his possession or unlawfully retains possession of any property of aninsurer which has been transferred to and vested in the Corporation under this Act or

wilfully applies any such property to purposes other than those expressed in or authorized by this Act, he shall, on the complaint of the Corporation, be punishable with imprisonment which may extend to one year, or with fine which may extend to one thousand rupees, or with both.

**41. Tribunal to have exclusive jurisdiction in certain matters :-**

No Civil Court shall have jurisdiction to entertain or adjudicate upon any matter which a Tribunal is empowered to decide or determine under this Act.

**42. Enforcement of decisions of Tribunals :-**

Any decision of a Tribunal may be enforced in any Civil Court within the local limits of whose jurisdiction the person against whom the decision is to be enforced actually and voluntarily resides or carries on business or personally works for gain or owns any property, as if it were a decree passed by that Court.

**43. Application of the Insurance Act :-**

(1) The following sections of the Insurance Act shall, so far as may be, apply to the Corporation as they apply to any other insurer, namely,- Sections 2,2B, 3, 18,26,33,38,39,41,45,46,47A, 50,51,52, 110A, 110B, 110C, 119, 121, 122 and 123.

(2) The Central Government shall, as soon as may be after the commencement of this Act,- by notification in the Official Gazette, direct that the following sections of the Insurance Act shall apply to the Corporation subject to such conditions and modifications as may be specified in the notification, namely- Sections 2D, 10,11,13,14,15,20,21,22,23,25; 27A, 28A, 35,36,37,40,40A, 40B, 43,44, 102 to 106,107 to 110,111,113,114 and 116A.

**1** [(2A) Section 42 of the Insurance Act shall have effect in relation to the issue to any individual of a licence to act as an agent for the purpose of soliciting or procuring life insurance business for the Corporation as if the reference to an officer authorised by the Controller in this behalf in sub-section (1) thereof included a reference to an officer of the Corporation authorised by the Controller in this behalf.]

(3) The Central Government may, by notification in the Official Gazette, direct that all or any of the provisions of the Insurance Act other than those specified in sub-section (1) or sub-section (2), shall

apply to the Corporation subject to such conditions and modifications as may be specified in the notification.

(4) Every notification issued under sub-section (2) or sub-section (3) shall be laid for not less than thirty days before both Houses of Parliament as soon as possible after it is issued, and shall be subject to such modifications as Parliament may make during the session in which it is so laid or the session immediately following.

(5) Save as provided in this section, nothing contained in the Insurance Act shall apply to the Corporation.

1. Inserted and deemed to have been so inserted w.r.e.f. 20-6-1979 by Life Insurance Corporation (Amendment) Act, 1981 (1 of 1981), Section 2 (a).

**43A. Deduction of Income-tax not to be made on interest or dividend :-**

Notwithstanding anything contained in s.193 or section 194 of the Income tax Act, 1961, no deduction of income-tax shall be made on any interest or dividend payable to the Corporation in respect of any securities or shares owned by it or in which it has full beneficial interest.]

**44. Act not to apply in certain cases :-**

Nothing contained in this Act shall apply in relation to-

(a) any insurer whose business is being voluntarily wound up or is being wound up under the orders of the Court;

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

(c) any composite insurer in respect of the management of whose affairs an Administrator has been appointed under s.52A of the Insurance Act, 1938 ;

(d) the scheme run by the Central Government known as the Post Office Life Insurance Fund;

(e) any approved superannuation fund as defined in clause (a) of s.58 N of the Income tax Act, 1922, which is in existence on the appointed day;

(f) any scheme in existence on the appointed day or any scheme framed after the appointed day with the approval of the Central Government whereby, in consideration of certain compulsory

deductions made by Government from the salaries of its employees as part of the conditions of service, the payment of money is assured by Government on the death of the employee concerned or on the happening of any contingency dependent on his life;

**1** [(g) any Family Pension Scheme framed under the Coal Mines Provident Fund, Family Pension and Bonus Schemes Act, 1948, or the Employees' Provident Funds and Family Pension Fund Act, 1952, for the purpose of providing family pension and life insurance benefits to the employees covered by the said Scheme.]

1. See Life Insurance Corporation Rules, 1956 (S.R.O. 1889A dated 28-8-1956) Gaz. of India 1956, Pt. II, S. 3, Ext., p. 1777; Life Insurance Corporation of India Development Officers (Revision of Terms and Conditions of Service) Rules, 1986 -Gaz. of Ind. 17-9-86, Pt. II, S. 3 (i), Ext., p. 3 (No. 435); Life Insurance Corporation of India (Regulation of Superannuation) Rules, 1987 -Gaz. of Ind., 15-5-87, Pt. II, S. 3(i), Ext., p. 2 (No. 263); Life Insurance Corporation of India Managing Directors (Revision of certain Terms and Conditions of Service) Rules, 1988 -Gaz. of Ind., 29-1-88, Pt. II, S. 3(i), Ext., p. 2 (No. 49).

#### **45. Special provisions regarding transfer of controlled business of certain composite insurers :-**

Notwithstanding anything contained in clause (c) of Section 44, the Central Government may, by notification in the Official Gazette, direct that on and with effect from such date as may be specified in the notification the assets and liabilities appertaining to the controlled business of a composite insurer in respect of the management of whose affairs an Administrator has been appointed under s.52A of the Insurance Act, 1938 shall be transferred to and vested in the Corporation, and on the issue of such a notification the provisions of this Act shall, so far as may be, apply in relation to such insurer and to the transfer and vesting of the assets and liabilities of his controlled business in the Corporation as they apply in relation to all other insurers and to the transfer and vesting of the assets and liabilities of their controlled business in the Corporation, subject to the modification that references in this Act to the appointed day shall be construed as references to the day specified in the notification.]

#### **46. Defects in constitution of Corporation or Committees not to invalidate acts or proceedings :-**

No act or proceeding of the Corporation or of any Committee of the Corporation shall be called in question on the ground merely of the

existence of any vacancy or defect in the constitution of the Corporation or Committee, as the case may-be.

**47. Protection of action taken under Act :-**

No suit, prosecution or other legal proceeding shall lie against any member or employee of the Corporation for anything which is in good faith done or intended to be done under this Act.

**48. Power to make rules :-**

(1) The Central Government may, by notification in the Official Gazette, make rules' to carry out the purposes of this Act.

(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,-

(a) the term of office and the conditions of service of members;

(b) the manner in which the moneys and other assets belonging to any such fund as is referred to in Section 8 shall be apportioned between the trustees of the fund and the Corporation;

(c) the services which the chief agent should have rendered for the purpose of the proviso. to Section 12 ;

**1**[(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;]

(d) the jurisdiction of the Tribunals constituted under Section 17 ;

(e) the manner in which, and the persons to whom, any compensation under this Act may be paid;

(f) the time within which any matter which may be referred to a Tribunal for decision under this Act may be so referred;

(g) the manner in which and the conditions subject to which investments may be made by the Corporation;

(h) the manner in which an Employees and Agents Relations Committee may be constituted for each zonal office;

(i) the form in which the report giving an account of the activities of the Corporation shall be prepared;

(j) the conditions subject to which the Corporation may appoint employees;

(k) the fees payable under this Act and the manner in which they are to be collected;

(1) any other matter which has to be or may be prescribed.

**2**[(2A) The regulations and other provisions as in force immediately before the commencement of the Life Insurance Corporation (Amendment) Act, 1981, with respect to the terms and conditions of service of employees and agents of the Corporation including those who became employees and agents of the Corporation on the appointed day under this Act, shall be deemed to be rules made under clause (cc) of sub-section (2) and shall, subject to the other provisions of this section, have effect accordingly:

(2B) The power to make rules conferred by clause (cc) of sub-section (2) shall include-

(i) the power to give retrospective effect to such rules; and

(ii) the power to amend by way of addition, variation or repeal, the regulations and other provisions referred to in sub-section (2A), with retrospective effect, from a date not earlier than the twentieth day of June, 1979,

(2C) The provisions of clause (cc) of sub-section (2) and sub-section (2B) and any rules made under the said clause (cc) shall have effect, and any such rule made with retrospective effect from any date shall also be deemed to have had effect from that date, notwithstanding any judgment, decree or order of any court, tribunal or other authority and notwithstanding anything contained in the Industrial Disputes Act, 1947 or any other law or any agreement, settlement, award or other instrument for the time being in force.]

**3** [(3) Every rule made by the Central Government under this Act shall be laid, as soon as may be after it is made, before each House of Parliament while it is in session, for a total period of thirty days which may be comprised in one session or in two or more successive sessions, and if, before the expiry of the session immediately following the session or the successive sessions aforesaid, both Houses agree in making any modification in the rule or both Houses agree that the rule should not be made, the rule

shall thereafter have effect only in such modified form or be of no effect, as the case may be; so, however, that any such modification or annulment shall be without prejudice to the validity of anything previously done under that rule.]

1. Inserted and deemed to have been so inserted w.r.e.f. 20-6-1979 by Life Insurance Corporation (Amendment) Act, 1981 (1 of 1981), Section 2 (a).
2. Inserted, by Life Insurance Corporation (Amendment) Act, 1981, S. 2 (b)(31-I-81).
3. Substituted by Financial Institutions Laws (Amendment) Act, 1975 (52 of 1975), S. 43 (16-2-1976).

**48A. Act to apply to Goa, Daman and Diu subject to modifications :-**

The provisions of this Act shall, in their application to the Union territory of Goa, Daman and Diu, have effect subject to the following modifications, namely,-

**49. Power to make regulationsd :-**

(1) The Corporation may, with the previous approval of the Central government, by notification in the Gazette of India, make regulations not inconsistent with this Act and the rules made thereunder to provide for all matters for which provision is expedient for the purpose of giving effect to the provisions of this Act.

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

(a) the powers and functions of the Corporation which may be delegated to the Zonal Managers;

(b) the method of recruitment of employees and agents of the Corporation <sup>1</sup>[ \* \* \* \* \* ] <sup>2</sup>[ \* \* \* \* \* ]  
\* \* \* \* \* ]

(c). the number, term of office and conditions of service of members of Boards constituted under Section 22 ;

(d) the territorial limits of each zone established under this Act and the business to be transacted in each zone;

(e) the marnner in which the Fund of the Corporation shall be maintained;

(f) the maintenance of separate funds and accounts at each of the

zonal offices;

(g) the jurisdiction of each divisional office and the establishment of Councils representative of policy-holders in each area served by a divisional office for the purpose of advising the divisional office in respect of any matter which may be referred to it;

(h) the conduct of business at meetings of the Corporation;

(i) the formation of Committees of the Corporation and the delegation of powers and functions of the Corporation to such Committees, and the conduct of business at meetings of such Committees;

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

(k) the classification of policies, whether issued by the Corporation or by any insurer whose controlled business has been transferred to and vested in the Corporation, for the purpose of declaring differential bonuses, wherever necessary;

(l) the manner in which and the intervals within which the accounts of the various zonal offices, divisional offices and branch offices may be inspected and their accounts audited;

(m) the conditions subject to which any payment may be made by the Corporation.

**3** [(3) Every regulation made under this section shall be laid, as soon as may be after it is made, before each House of Parliament, while it is in session, for a total period of thirty days which may be comprised in one session or in two or more successive sessions, and if, before the expiry, of the session immediately following the session or the successive sessions aforesaid, both Houses agree in making any modification in the regulation or both Houses agree that the regulation should not be made, the regulation shall thereafter have effect only in such modified form or be of no effect, as the case may be; so, however, that any such modification or annulment shall be without prejudice to the validity of anything previously done under that regulation.]

1. The words "and the terms and conditions of service of employees or agents" omitted by the Life Insurance Corporation (Amendment) Act, 1981 (I of 1981), S. 3(a)(i) (31-1-1981).

2. Cl. (bb) omitted, by Life Insurance Corporation (Amendment)

Act, 1981, S. 3(a)(ii).

3. Added, by Life Insurance Corporation (Amendment) Act, 1981, S. 3 (b).

SCHEDULE 1

PRINCIPLES FOR DETERMINING COMPENSATION

\\ \PART 1 The compensation to be given by the Corporation to an insurer having a share capital on which dividend or bonus is payable, who has allocated as bonus to policy-holders the whole or any part of the surplus as disclosed in the abstracts prepared in accordance with Part II of the Fourth Schedule to the Insurance Act in respect of the last actuarial investigation relating to his controlled business as at a date earlier than the 1st day of January, 1955, shall be computed in accordance with the provisions contained in paragraph 1 or paragraph 2, whichever is more advantageous to the insurer. Paragraph 1.- Twenty times the annual average of the share of the surplus allocated to share-holders as disclosed in the abstracts aforesaid in respect of the relevant actuarial investigations multiplied by a figure which represents the proportion that the average business in force during the calendar years 1950 to 1955 bears to the average business in force during the calendar years comprised in the period between the date as at which the actuarial investigation immediately preceding the earliest of the relevant actuarial investigations was made and the date as at which the last of such investigations was made. Paragraph 2.- Half the amount payable under paragraph 1 plus the paid-up capital or assets equivalent thereto, or, in the case of a composite insurer, that part of the paid-up capital or assets equivalent thereto which has or have been transferred to and vested in the Corporation under this Act less the amount, if any, of expenses or losses or both capitalised by the insurer for the purposes of Form A in the First Schedule to the Insurance Act. MODIFICATION (1) In its application to the Union territory of Goa, Daman and Diu, in Part A, (i) for the words, figures and letters "the 1st day of January, 1955", wherever they occur, substitute the words, figures and letters "the first day of completed calendar year immediately preceding the appointed day"; (ii) for the words, figures and letters "the 31st day of December 1955", substitute the words, figures and letters "the last day of completed calendar year immediately preceding the appointed day"; (iii) and for the figures and word "1950 to 1955", substitute the words and figures "1956 to 1961". (2) After the words "abstracts prepared in accordance with Part II of the Fourth Schedule to the Insurance Act", wherever they occur, insert the words "or any other corresponding abstract, return or statement". : (3) In paragraph 2, after the words "Form A in the First Schedule to the Insurance Act", insert the words "or any other corresponding form or statement".- Regn. 11 of 1963, Section 3 and Schedule (1-3-1964) PART 2 The compensation to be given by the Corporation to an insurer having a share capital on which dividend or bonus is payable who has not made any such allocation as is referred to in Part A in respect of the last actuarial investigation as at a date earlier than the 1st day of January, 1955, shall be an amount equal to the value of the assets of the insurer appertaining to his controlled business in existence, on the 19th day of January, 1956, computed as at that date in accordance with the provisions of paragraph 3 less the amount of liabilities of the insurer appertaining to such business in existence on the 19th day of January, 1956, computed as at that date in accordance with the provisions of paragraph 4. Assets. Paragraph 3.- (a) The market value of any land or buildings. (b) The market value of any shares, securities or other investments held by the insurer. (c) The total amount of premiums paid by

the insurer in respect of all leasehold properties reduced in the case of each such premium by an amount which bears to such premium the same proportion as the expired term of the lease in respect of which such premium shall have been paid bears to the total term of the lease. (d) the amount of debts due to the insurer whether secured or unsecured to the extent to which they are reasonably considered to be recoverable, (e) The amount of premiums which have fallen due to the insurer on policies of life insurance but have not been paid and the days of grace for payment of which have not expired. (f) The amount of cash held by the insurer whether in deposit with a bank or otherwise. (g) The value of all tangible assets other than those tailing within any of the preceding clauses. Liabilities

Paragraph 4.- (a) The total amount of liabilities of the insurer to holders of policies in respect of his controlled business on account of matured claims on which payment has to be made. (b) The total amount of liabilities of the insurer to holders of policies in respect of his controlled business which have not matured for payment, the liabilities in respect thereof being calculated on the following actuarial bases:- (i) in respect of whole-life assurances and endowment assurances, the mortality table to be used shall be the Oriental (25-35) ultimate mortality table and an interest rate of 3 1/4 per cent per annum shall be assumed and for expenses 20 per cent. of office premiums in the case of with-profit policies and 15 per cent. of office premiums in the case of non-profit policies shall be reserved; (ii) in respect of other policies such actuarial bases determined by the actuary making the valuation as may be consistent with the basis specified in clause (i); and (iii) in determining the liabilities of insurers under clause (b) the actuary shall make all the usual provisions and reserves as are ordinarily done in such cases. (c) The total amount of all other liabilities of the insurer. (d) Where, as a result of the actuarial valuation of policy liabilities made under clause (b), the life insurance fund is shown to be in surplus, a sum equal to 96 per cent. of such surplus shall be deemed to be a liability under this paragraph.

Paragraph 5.- If the insurer to whom compensation is to be given under this Part is a displaced insurer, the compensation to be given shall be computed in accordance with the following provisions:- Firstly, there shall be ascertained the losses incurred by the displaced insurer in respect of claims arising by deaths established by the displaced insurer to have been caused by the civil disturbances which took place on the occasion of the setting up of the Dominions of India and Pakistan, the total loss being taken as the difference between the amounts paid as claims in respect of such deaths and the total amount of the actuarial reserve in respect of the relevant policies; Secondly, there shall be ascertained the difference between the market value as at the 15th day of August, 1947, of any immovable property in West Pakistan belonging to the displaced insurer and the market value thereof determined under paragraph 3 of this Part or, where any such immovable property has been sold before the 19th day of January, 1956, the difference between the market value thereof as at the 15th day of August, 1947, and the sale price; Thirdly, there shall be ascertained the amount of deposits held by the displaced insurer in banks which could not be withdrawn on account of a moratorium declared under any law for the time being in force to the extent to which such deposits have become losses; Fourthly, there shall be ascertained the difference between the market value as at the 15th day of August, 1947, of any shares in any company now carrying on business in West Pakistan held by the displaced insurer and which had been acquired before the 15th day of August, 1947, and the market-value of such shares as at the 19th day of January, 1956. The amount of compensation to be given to the displaced insurer under this Part shall be-

(a) the amount which would have to be

given to him if this paragraph had-not been enacted, plus (b) an amount which represents one-half of the difference between the compensation which would have to be given to him if to the value of the assets referred to in Paragraph 3 there had been added the sum of the four items referred to in this Paragraph and with respect to the liabilities referred to in Paragraph 4 the life insurance fund had been increased by a like sum, and the compensation which would have to be given to him if this Paragraph had not been enacted, one-half of the paid-up capital of the displaced insurer whichever is less. MODIFICATION In its application to the Union territory of Goa, Daman and Diu, in Part B of the First Schedule, for the words. figures and letters "the 1st day of January, 1955", substitute the words "the first day of completed calendar year immediately preceding the appointed day" and references to the 19th day of January 1956 (except in paragraph 5) shall be changed into references to the appointed day-Regn. 11 of 1963, section 3(i) and Schedule 19-12-1963. PART 3 The compensation to be given by the Corporation to an insurer- (a) having no share capital; or (b) having a share capital on which a dividend .or bonus is not payable; shall be in the form of an addition at the rate of rupee one per thousand in respect of the sum assured (excluding bonuses) under each with-profit policy, and in the case of an insurer falling, under clause (b), such compensation shall' also include a sum equivalent to the paid-up capital of the insurer to be paid to him.

## SCHEDULE 2

### PRINCIPLES FOR DETERMINING THE VALUE OF LIABILITIES IN CERTAIN CASES

The total amount of the liabilities of an insurer incorporated outside India for the purposes of sub-section (2) of Section 35 shall be the sum of the amounts computed in accordance with the following provisions:- (a) the total amount of liabilities of the insurer to holders of policies in respect of his controlled business on account of matured claims on which payment has to be made; (b) the total amount of liabilities of the insurer to holders of policies in respect of his controlled business which have not matured for payment, the liabilities in respect thereof being the liabilities calculated in accordance with method B below or the mean of the liabilities calculated in accordance with method A and method B below, whichever is greater. Method A.- Actuarial liability calculated on the same bases as adopted by the insurer at the last actuarial investigation as at a date earlier than the 1st day of January, 1955. Method B.- Actuarial liabilities calculated on the method known as the modified net premium method of valuation, the mortality table to be used being the Oriental (25-35) ultimate mortality table, an interest rate of 2 1/2 per cent per annum being assumed and the allowance for first year expenses being Rs. 40 per thousand rupees of the sum assured by the policy. (c) the total amount of all other liabilities of the insurer. \ \ \ \ MODIFICATIONS In its application to the Union territory of Goa, Daman and Diu, in Second Schedule, references to the 1st day of January 1955 and the 31st day of December 1955, shall be changed into references to the first day and the last day, respectively of the completed calendar year immediately preceding the appointed day - Regn. 11 of 1963, section 3(1) and Schedule (19-12-1963)

## SCHEDULE 3

### PRINCIPLES FOR DETERMINING COMPENSATION PAYABLE TO SPECIAL AGENTS

(See Section 36 ) The compensation payable to a chief agent shall consist of seventy-five per cent of the overriding commission specified in the contract

relating to chief agency with the insurer on the renewal premiums received by the Corporation during the period often years from the appointed day in respect of the business procured by the chief agent before the appointed day; and such compensation shall be determined and paid annually for the said period. The compensation payable to a special agent shall consist of one-eighth of his annual average earning during the period beginning on the 1st day of January, 1952, and ending on the 31st day of December, 1955, in the form of overriding commissions in respect of business procured by him through insurance agents. MODIFICATIONS In its application to the Union territory of Goa, Daman and Diu, in the Third Schedule,- (i) in the first paragraph, for the words "seventy-five per cent.", substitute the words "such percentage as the Central Government may fix"; and for the words "ten years" substitute the words "five years". (ii) in the second paragraph, references to the 1st day of January, 1952 and 31st day of December, 1955 shall be changed into reference to the first day of January, 1958, and the 31st day of December 1961, respectively.- Regn. 11 of 1963, Section 3(1) and Schedule (19-12-1963).