

AS INTRODUCED IN LOK SABHA

**Bill No. 115 of 2021**

**THE GENERAL INSURANCE BUSINESS (NATIONALISATION)  
AMENDMENT BILL, 2021**

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BILL

*further to amend the General Insurance Business (Nationalisation) Act, 1972.*

BE it enacted by Parliament in the Seventy-second Year of the Republic of India as follows:—

**1. (1)** This Act may be called the General Insurance Business (Nationalisation) Amendment Act, 2021. Short title and commencement.

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

Amendment of section 3.	<b>2.</b> In section 3 of the General Insurance Business (Nationalisation) Act, 1972 (hereinafter referred to as the principal Act),—	57 of 1972.
	(i) after clause (b), the following clause shall be inserted, namely:—	
	'(ba) "board of directors" or "board", in relation to a specified insurer, shall have the same meaning as assigned to it in clause (10) of section 2 of the Companies Act, 2013;';	5 18 of 2013.
	(ii) in clause (c), for the words and figures "the Companies Act, 1956", the words and figures "the Companies Act, 2013" shall be substituted;	1 of 1956. 18 of 2013.
	(iii) for clause (g), the following clause shall be substituted, namely:—	
	'(g) "general insurance business" shall have the same meaning as assigned to it in the Insurance Act, 1938;';	10 4 of 1938.
	(iv) in clause (h), for the word and figures "section 617", the words, brackets and figures "clause (45) of section 2" shall be substituted;	
	(v) after clause (o), the following clause shall be inserted, namely:—	
	'(oa) "specified insurer" means the Corporation as defined in clause (d) or any of the insurance companies specified in section 10A;';	15
Amendment of section 9.	<b>3.</b> In section 9 of the principal Act, for the words and figures "the Companies Act, 1956", the words and figures "the Companies Act, 2013" shall be substituted.	1 of 1956. 18 of 2013.
Amendment of section 10B.	<b>4.</b> In section 10B of the principal Act, the proviso shall be omitted.	
Insertion of new section 24B.	<b>5.</b> After section 24A of the principal Act, the following section shall be inserted, namely:—	20
Cessation of application of Act.	'24B. (1) On and from the date on which the Central Government ceases to control any specified insurer, after the commencement of the General Insurance Business (Nationalisation) Amendment Act, 2021, the provisions of this Act shall cease to apply in respect of that specified insurer.	25
	(2) Notwithstanding anything contained in sub-section (1), on the date of cessation of applicability referred to in sub-section (1),—	
	(a) any scheme framed by the Central Government under sub-section (1) of section 17A in respect of the specified insurer referred to in sub-section (1) shall be deemed to have been adopted by the board of directors of such specified insurer:	30
	Provided that the board of directors may make such additions, amendments or variations thereto, or frame new policy in place of such scheme, as it may deem appropriate;	
	(b) without prejudice to the generality of the power of the board of directors of the specified insurer under clause (a), all powers exercisable by the Central Government under a scheme framed by it in sub-section (1) of section 17A shall be exercisable by that board of directors.	35
	<i>Explanation 1.</i> —For the purposes of this section, the expression "control" means the right of the Central Government, in relation to a specified insurer,—	40
	(i) to appoint a majority of its directors; or	
	(ii) to have power over its management or policy decisions,	
	by virtue of its shareholding rights or management rights under its articles of association or shareholders agreements or voting agreements or any other agreements executed with the specified insurer or any other person in relation to the specified insurer.	45

*Explanation 2.*—For the removal of doubts, it is hereby clarified that—

(i) the provisions of this section shall also apply to any rule, scheme, direction or notification made under this Act before the cessation of applicability;

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(ii) the cessation of applicability shall not revive anything that was not already in force or in existence under this Act or affect anything previously done or suffered under this Act;

(iii) the board of directors of the specified insurer shall exercise the powers referred to in sub-section (2), subject to any requirement under any law for the time being in force.'

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**6.** After section 31 of the principal Act, the following section shall be inserted, namely:—

Insertion of  
new section  
31A.

'31A. A director of a specified insurer who is not its whole-time director shall be held liable only in respect of such acts of omission or commission of the specified insurer which had been committed with his knowledge, attributable through board processes, and with his consent or connivance or where he had not acted diligently.

Liability of  
director of  
specified  
insurer.

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*Explanation.*—For the purposes of this section, the reference to "board" shall include committees of the board.'

## STATEMENT OF OBJECTS AND REASONS

The General Insurance Business (Nationalisation) Act, 1972 (the Act) was enacted with a view to provide for the acquisition and transfer of shares of Indian insurance companies and undertakings of other existing insurers in order to serve better the need of the economy by securing the development of general insurance business in the best interests of the community and to ensure that the operation of the economic system does not result in the concentration of wealth to the common detriment, for the regulation and control of such business and for matters connected therewith or incidental thereto.

2. Subsequently, the Act was amended in 2002 with a view to provide for the transfer and vesting of the shares of the acquiring companies back to the Central Government and for the share holding of the Central Government in the General Insurance Corporation of India and the insurers referred to in section 10A (specified insurers) shall not be less than fifty-one per cent.

3. With a view to provide for greater private participation in the public sector insurance companies and to enhance insurance penetration and social protection and better secure the interests of policy holders and contribute to faster growth of the economy, it has become necessary to amend certain provisions of the Act. In the form of a Bill, namely, the General Insurance Business (Nationalisation) Amendment Bill, 2021.

4. The General Insurance Business (Nationalisation) Amendment Bill, 2021, *inter alia*, provides for the following, namely:—

(i) to omit the proviso to section 10B of the Act so as to remove the requirement that the Central Government holds not less than fifty-one per cent. of the equity capital in a specified insurer;

(ii) to insert a new section 24B providing for cessation of application of the Act to such specified insurer on and from the date on which the Central Government ceases to have control over it; and

(iii) to insert a new section 31A providing for liability of a director of specified insurer, who is not a whole-time director, in respect of such acts of omission or commission of the specified insurer which has been committed with his knowledge and with his consent.

5. The Bill seeks to achieve the above objectives.

NEW DELHI;  
The 28th July, 2021.

NIRMALA SITHARAMAN.

## ANNEXURE

### EXTRACTS FROM THE GENERAL INSURANCE BUSINESS (NATIONALISATION) ACT, 1972

(57 OF 1972)

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**3.** In this Act, unless the context otherwise requires,— Definitions.

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1 of 1956. (c) "Companies Act" means the Companies Act, 1956;

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(g) "general insurance business" means fire, marine or miscellaneous insurance business, whether carried on singly or in combination with one or more of them, but does not include capital redemption business and annuity certain business;

(h) "Government company" means a Government company as defined in section 617 of the Companies Act;

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## CHAPTER III

### GENERAL INSURANCE CORPORATION OF INDIA

**9. (1)** As soon as may be after the commencement of this Act, the Central Government shall form a Government company in accordance with the provisions of the Companies Act, to be known as the General Insurance Corporation of India for the purpose of superintending, controlling and carrying on the business of general insurance:

Formation of  
General  
Insurance  
Corporation  
of India.

40 of 2002. Provided that on and from the commencement of the General Insurance Business (Nationalisation) Amendment Act, 2002, the provisions of this sub-section shall have effect as if for the words "superintending, controlling and carrying on the business of general insurance", the words "carrying on re-insurance business" had been substituted.

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1 of 1956. (3) Notwithstanding anything contained in the Companies Act, 1956, it shall not be necessary to add the word "Limited" as the last word of the name of the Corporation.

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10B. The General Insurance Corporation and the insurance companies specified in section 10A may, raise their capital for increasing their business in rural and social sectors, to meet solvency margin and such other purposes, as the Central Government may empower in this behalf:

Enhancement  
of equity  
capital of  
General  
Insurance  
Companies.

Provided that the shareholding of the Central Government shall not be less than fifty one per cent. at any time.

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**BILL**

further to amend the General Insurance Business (Nationalisation) Act, 1972.

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*(Smt. Nirmala Sitharaman, Minister of Finance and Corporate Affairs)*