

**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.



*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;

5 (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.!

10 **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.

15 *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.

\* \* \* \* \*

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.

\* \* \* \* \*

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

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