

Life Insurance Corporation Rules, 1956

UNION OF INDIA

India

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Rule LIFE-INSURANCE-CORPORATION-RULES-1956 of 1956

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Life Insurance Corporation Rules, 1956 Published vide Notification S.R.O. 1899-A. Last Updated 13th February, 2020 [15/709] S.R.O. 1899-A. - In exercise of the powers conferred by section 48 of the Life Insurance Corporation Act, 1956 (31 of 1956), the Central Government hereby makes the following rules, namely:-

1. Short title. - These rules may be called The Life Insurance Corporation Rules, 1956.

2. [Definitions.

- In these rules--(i) ["chairman" means Chairman appointed by the Central Government under sub-section (1) of section 4;] [Inserted by G.S.R. 1094, dated 22.7.1965.](ii) ["section" means a section of the Act; [Substituted by G.S.R. 317, dated 30.4.1958. <i>](iii)"Tribunal" means the tribunal constituted by the notification of the Government of India in the Ministry of Finance S.R.O. No. 1734, dated the 25th May, 1957.]

3. Term of office of members. - (1) An official member shall hold office during the pleasure of the Central Government.

(2) A non-official member shall hold office for a period of [three years] unless a shorter period is specified in the order of appointment. (3) An outgoing member shall be eligible for re-appointment. [3-A. Office of the Chairman.- The office of the Chairman shall be whole-time.]

4. Registration of members. - The Chairman or any member may, by writing under his hand addressed to the Central Government, resign his office, and such resignation shall take effect from the date on which it is accepted by the Central Government, [or on the expiry of thirty days from the date of

resignation whichever is earlier.]

5. Absence from meetings. - Any member who absents himself from three consecutive meetings of the Corporation without leave of the Corporation shall cease to be a member thereof.

6. Removal of member. - (1) The Central Government may remove any member, who in the opinion of that Government, has so flagrantly abused in any manner his position as a member as to render his continuance as a member detrimental to the public interest.

(2) No member shall be removed under sub-rule (1) unless he has been given a reasonable opportunity of showing cause against his removal.

7. Casual vacancies among members. - In the event of the occurrence of any vacancy in the office of a member by reason of his death, resignation or removal, or otherwise, the Central Government may appoint another person to act in his place.

8. [Fees of members.

- A member not being a whole-time officer of the Corporation or an officer of the Central Government shall be paid fees by the Corporation as follows : -(a) for attending meetings of the Corporation - Rs. 40,000 (rupees forty thousand) for each meeting; (b) for attending meetings of the Committee constituted by the Corporation - Rs. 20,000 (rupees twenty thousand) for each meeting as well as for visit to other places in connection with the affairs of the Corporation; (c) for chairing meetings of the Corporation - Rs. 10,000 (rupees ten thousand) for each meeting in addition to (a) above; (d) for chairing meetings of any committee constituted by the Corporation - Rs. 5,000 (rupees five thousand) for each meeting in addition to (b) above, subject to an overall ceiling of Rs. 15,00,000 (rupees fifteen lakh) per annum per member.]

9. Travelling and daily allowances. - (1) Every non-official member shall be entitled to-

(a) travelling allowances for journey performed by him in connection with the work of the Corporation at the rates admissible to officers of the first grade in service of the Central Government: Provided that every such member shall, when travelling by rail, be entitled to travel by air-conditioned accommodation if such accommodation is available; (b) [daily allowances for halts on duty at the rate of Rs. 30 per day.] (2) The travelling and daily allowances of an official member shall be governed by the rules applicable to him for journeys performed on official duty; and in case such official member is not in the service of the Corporation, the Corporation shall make necessary

reimbursement to the authority employing such official.

10. Apportionment of provident fund, etc. - (1) Where all the employees of an insurer whose controlled business is transferred to and vested in the Corporation under section 7 do not become employees of the Corporation under section 11, all the moneys and other assets belonging to the provident fund or superannuation fund or any other like fund referred to in sub-section (1) of section 8 shall be apportioned between the trustees of the fund and the Corporation in the following manner, namely:--

(i) the moneys and other assets of any provident fund shall be apportioned in the proportion which the total of the amounts lying to the credit of the persons becoming employees of the Corporation bears to the total of the amounts lying to the credit of the person who do not become employees of the Corporation; (ii) the moneys and other assets of any superannuation fund shall be apportioned in the proportion which the liability of the fund in respect of the person becoming employees of the Corporation bears to a similar liability in respect of the persons who do not become employees of the Corporation, such liability to be ascertained on such basis as may be determined by the Corporation and approved by the Central Government; and (iii) the moneys and other assets of any other like fund shall be apportioned in accordance with the principles set out in clause (i) or clause (ii), as the case may be. (2) The provisions of sub-rule (1), shall, so far as may be, apply in relation to the valuation and apportionment of moneys and other assets belonging to any provident fund or superannuation fund or any other like fund referred to in clause (f) of sub-section (2) of section 10, as they apply in relation to the apportionment and valuation of moneys and other assets belonging to a provident fund, superannuation fund or any other like fund referred to in sub-section (1) of section 8. Explanation - For the purposes of this rule the assets of a provident fund, superannuation fund or any other like fund shall be valued at the market rates as on the appointed day.

11. Transfer of service of existing employees of chief agents. - The provisions of section 12, shall apply only in respect of the employees of a chief agent of an insurer who was, under the terms of his contract with the insurer, require to render the following services to the policy-holders, namely:--

(a) collection of premium, from the policy-holders in respect of policies secured through his insurance agents in the area for which he was appointed chief agent; and (b) issuing of final (pukka) receipts for the premiums so collected.

12. [Reference to the Tribunal, etc.

(1) Where the amount of compensation offered under sub-section (2) of section 16 is not acceptable to an insurer, or where the compensation offered under section 36 is not acceptable to a chief agent or a special agent, the insurer, the chief agent or the special agent, as the case may be, may, for the

purpose of having the matter referred to the Tribunal, apply to the Corporation along with the documents specified, if any, in this behalf by the Tribunal in regulations made by it under section 17 (in this rule referred to as the regulation)--(a)in cases where the compensation was offered before the 1st day of November, 1964, not later than 31st day of January, 1965, or, if the applicant is an insurer to whom compensation is payable under Part B of the First Schedule to the Act, not later than the 31st day of April, 1965;(b)in all other cases within three months from the date on which the compensation is offered or, if the applicant is an insurer to whom compensation is payable under Part B of the First Schedule to the Act, within six months from the date on which the compensation is offered.(2)The Corporation shall within three months of the date of receipt of an application under sub-rule (1) refer the matter to the Tribunal for decision alongwith a written statement and other documents specified, if any, by the Tribunal in the regulations.(3)(i)Where an application under sub-rule (1), is made after the expiry of the period specified therefor in that sub-rule, the Corporation shall, notwithstanding expiration of the said period, refer the matter within three months of the date of receipt of the application to the Tribunal for decision along with a written statement and other documents specified, if any, in the regulations.(ii)The Tribunal may admit reference made under clause (i) if the applicant satisfies the Tribunal that he had sufficient cause for not making the application to the Corporation within the period specified therefor in sub-rule (1).(4)An application to the Tribunal under section 15, or a reference to the Tribunal, other than reference referred to in sub-rule (2) or sub-rule (3), may be made--(a)in cases where the cause of action arose before the 1st day of November, 1964, not later than 31st day of January, 1965,(b)in all other cases, within a period of three months from the date on which the cause of action arose:Provided that the Tribunal may admit an application or a reference other than reference to in sub-rule (2) or sub-rule (3) after the expiry of the relevant period referred to clause (a) or clause (b) if the persons making the application or reference satisfies the Tribunal that there was sufficient cause for not making it within that period.][12-A. Jurisdiction of Tribunal.- The Tribunal may exercise jurisdiction in the whole of India and shall have power to decide or determine all or any of the following matters, namely:--(i)any question whether of title or of liability or of any nature whatsoever in relation to the assets and liabilities pertaining to the controlled business of the insurer transferred to and vested in the Corporation;(ii)any question under section 10 or under any rules made thereunder whether any property is or was held or used by a composite insurer for the purposes of his controlled business;(iii)every application made under section 15 and all claims outstanding in respect of any transaction which may be the subject-matter of any such application determined in favour of the Corporation;(iv)all claims for compensation payable under the Act to insurer whose controlled business has been transferred to and vested in the Corporation; and all matters connected with the determination, payment and distribution of such compensation;(v)all claims for compensation payable under the Act to chief agents or special agents for contracts terminated under section 36; and all matters connected with the termination, payment and distribution of such compensation;(vi)such supplemental, incidental or consequential matters which the Tribunal may deem it expedient or necessary to decide or determine for the purpose of securing that the jurisdiction vested in it under the Act and in respect of matters referred to above is fully and effectively exercised.]

13. Compensation. - The compensation payable under the Act shall be paid in cash.

14. Employees and Agents Relations Committee. - The representatives of the Corporation on the Employees and Agents Relations Committee constituted under sub-section (3) of section 22 of the Act for each zonal office at the Corporation and the representatives of the employees and agents on such Committee shall be nominated by the Corporation.

15. Term of office of members of Employees and Agents Relations Committee. - A member of an Employee and Agents Relations Committee shall hold office for a period of two years but shall be eligible for being renominated.

16. Casual vacancies in Employees and Agents Relations Committee. - (1) If any casual vacancy occurs in the office of a member of an Employees and Agents Relations Committee by death or resignation of such member or otherwise, the Corporation shall as soon as may be after the occurrence of the vacancy take immediate steps to fill the vacancy.

(2) Every member appointed to fill a casual vacancy of such Committee shall continue in office for the unexpired term of his predecessor.

17. Report. - The Annual report to be submitted by the Corporation to the Central Government under section 27 of the Act regarding its activities during the previous financial year shall be in such form as the Central Government may, from time to time, direct, and shall inter alia contain particulars in respect of the following matters, namely:--

(a) the extent of the new business; (b) the total amount of business in force; (c) the total amount of claims; (d) nature of investment; and (e) the accounts.

18. Allocation of paid-up capital of composite insurer. - For the purposes of the Explanation to sub-section (2) of section 7 and of clause (b) of sub-section (2) of section 10 of the Act, the part of the paid-up capital, as the case may be, allocated to the controlled business of an insurer shall be determined in the manner following, namely:--

(i) in respect of an insurer entitled to receive compensation under Part A of the First Schedule to the Act, the paid-up capital allocable to the controlled business shall be that proportion of the total paid-up capital of the insurer which the annual average of the profits from the controlled business during the period covered by the relevant actuarial investigation bears to the total of such annual average of profits plus two times the annual average of the profits from other business during that period: Provided that the paid-up capital allocable to the controlled business shall not in any case exceed a sum of rupees six lakhs; (ii) in respect of an insurer entitled to compensation under Part B of the First Schedule to the Act, the paid-up capital allocable to the controlled business shall be the excess, if any, of 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 of Part B of the First Schedule to the Act over the value of the assets of the insurer appertaining to his controlled business (excluding the paid-up capital allocable to controlled business) in existence on the 19th day of January, 1956, computed as at the date in accordance with the provisions of paragraph 3 of Part B of the First Schedule to the Act. Explanation 1. - "Profits from controlled business" means the share of the surplus allocated to the shareholder as disclosed in the abstracts prepared in accordance with Part II of the Fourth Schedule to the Insurance Act in respect of the relevant actuarial investigations. Explanation 2. - "Profits from other business" means the total of the profits less losses transferred to "Profit and Loss Account" from the fire, marine and miscellaneous insurance revenue accounts prepared in accordance with Form F of the Third Schedule of the Insurance Act. Explanation 3. - "Relevant Actuarial Investigations" means such minimum number of latest actuarial investigations as at dates earlier than the 1st day of January, 1956 (not being less than 2 in any case) would leave the period intervening between the date as at which the actuarial investigation immediately preceding the first of such investigations was made and the date at which the last of such investigations was made and to be not less than four years. Explanation 4. - Where an insurer has allocated to shareholders more than 5 per cent. of any such surplus as is referred to in Explanation 1, the insurer shall be deemed to have allocated only 5 per cent. of surplus and where an insurer has not allocated any such surplus to shareholders or has allocated to shareholders less than 5 per cent. of any such surplus, the insurer shall be deemed to have allocated 5 per cent. of the surplus.

19. Transfer of business of certain composite insurer to the Corporation. - Every transfer by the Administrator under clause (a) of section 45 of the Act shall be made in pursuance of an agreement between the Administrator and the Corporation and no such agreement shall be entered into except with the previous approval of the Central Government.

20. Vesting of the management of the affairs of the insurer in the persons entitled thereto. - As soon as the transfer in terms of rule 19 is effected, the Administrator shall by notice call upon the persons in charge of the management of the insurer immediately prior to the appointment of the Administrator to take charge of the management of any other kind of business not transferred to and vested in the Corporation and upon such

notice being given, such persons shall take the management of that other kind of business.