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PART VI

Bills introduced into the Council of the Governor General of India and
Bills published before introduction in that Council

GOVERNMENT OF INDIA

LEGISLATIVE ASSEMBLY DEPARTMENT

New Delhi, 21st October 1944

L. A. BILL No. 22 OF 1944

A Bill further to amend the Insurance Act, 1938

WHEREAS it is expedient further to amend the Insurance Act, 1938 (IV of 1938), for the purposes hereinafter appearing;

It is hereby enacted as follows:—

1. Short title—This Act may be called the Insurance (Second Amendment) Act, 1944.

2. Amendment of section 2, Act IV of 1938—To clause (2) of section 2 of the Insurance Act, 1938 (IV of 1938) (hereinafter referred to as the said Act), the words “but does not include an assignee of any other description” shall be added.

3. Amendment of section 3, Act IV of 1938—In section 3 of the said Act,—

(a) in sub-section (1), after the words “from the Superintendent of Insurance a certificate of registration” the words “for the particular class of insurance business” shall be inserted;

(b) in sub-section (4), for the words “may cancel the registration of an insurer if the insurer has failed to have the registration renewed” the following shall be substituted, namely:—

“may cancel the registration of an insurer—

(f) if the insurer has failed to have the registration renewed, or

(g) if the Superintendent of Insurance is satisfied that any disputed claim upon the insurer arising under any policy of insurance maturing for payment in India remains unpaid after final judgment in regular course of law.”;

(c) in sub-section (5), for the words, brackets, letters and figures “clause (a) of sub-section (4), clause (e) of sub-section (4), or because the insurer has failed to have the registration renewed,” the words, brackets, letters and figure “clause (a), clause (e), clause (f) or clause (g) of sub-section (4),” shall be substituted;

(d) in sub-section (5C),—

(i) for the words, brackets, letters and figures “clause (a) of sub-section (4), clause (e) of sub-section (4), or because the insurer has failed to have his registration renewed,” the words, brackets, letters and figure “clause (a), clause (e), clause (f) or clause (g) of sub-section (4),” shall be substituted;

(ii) after the word “accepted” the following shall be inserted, namely:—

“or satisfies the Superintendent of Insurance that no claim upon the insurer such as is referred to in clause (g) of sub-section (4) remains unpaid”;

(e) in sub-section (5D), for the words, brackets and figures “a registration is cancelled under sub-section (4) and the insurer is a company incorporated under the Indian Companies Act, 1913, or under the Indian Companies Act, 1882, or under the Indian Companies Act, 1866, or under any Act repealed thereby, the Superintendent of Insurance shall, as soon as may be,” the following shall be substituted, namely:—

“the registration of an insurance company is cancelled under sub-section (4), the Superintendent of Insurance may,”;

(f) in sub-section (6), for the words, “The Superintendent of Insurance” the words and figures “Subject to the provisions of sections 5, 10, 31A and 32, the Superintendent of Insurance” shall be substituted.

4. Amendment of section 4, Act IV of 1938—In section 4 of the said Act,—

(a) in sub-section (1),—

(i) the words and figures “not being a provident society as defined in Part III, or a Co-operative Life Insurance Society or a Mutual Insurance Company to which Part IV of this Act applies,” shall be omitted;

(ii) for the words “commencement of this Act” the words, brackets and figures “commencement of the Insurance (Second Amendment) Act, 1944,” shall be substituted;

(iii) for the words “fifty rupees or less or a gross sum of rupees five hundred or less” the words “less than one hundred rupees or a gross sum of less than one thousand rupees” shall be substituted;

(b) to sub-section (2) the following shall be added, namely:—

“or to any policy undertaking to pay a gross sum of more than five hundred rupees or an annuity of more than fifty rupees, issued—

(a) by an insurer to any person in his permanent employ in respect of the life of that person, or

(b) under any scheme approved by the Superintendent of Insurance and complying with such conditions, if any, as he may think fit to impose whereby premiums due from persons employed under any employer are collected by or under the supervision of the employer—

or to any policy issued by any Co-operative Life Insurance Society or Mutual Insurance Company to which Part IV applies, which the Superintendent of Insurance may by order in writing exempt from the provisions of this section, for so long as the society or company in respect of which the exemption is granted complies with such conditions, if any, as the Superintendent of Insurance may think fit to impose.”

5. Amendment of section 5, Act IV of 1938—To sub-section (2) of section 5 of the said Act, the following further proviso shall be added, namely:—

“Provided further that in the application of this section to any insurer who begins to carry on insurance business after the commencement of the Insurance (Second Amendment) Act, 1944, the references to an insurer in existence in sub-section (1) and this sub-section shall be construed as including references to a provident society (as defined in Part III) in existence, whether or not the society is in the course of being dissolved.”

6. Amendment of section 9, Act IV of 1938—Section 9 of the said Act shall be renumbered as sub-section (1) of that section, and to the section as so renumbered the following sub-section shall be added, namely:—

“(2) An application under this section shall, if the applicant is carrying on any insurance business in any Indian State notified in this behalf by the Central Government in the official Gazette, be accompanied by a statement to that effect, and in such a case the Court shall not order the return of any deposit under this section unless it is satisfied that the chief insurance authority of the said Indian State is agreeable thereto.”

7. Amendment of section 10, Act IV of 1938—In section 10 of the said Act,—

(a) in sub-section (2),—

(i) after the words “life insurance fund” the words “the assets of which shall be kept distinct and separate from all other assets of the insurer” shall be inserted;

(ii) after the words “part of” the words “the assets of” shall be inserted;

(b) after sub-section (2) the following sub-section shall be inserted, namely:—

“(2A) No insurer carrying on life insurance business shall be entitled to be registered for any other class of

insurance business unless the Superintendent of Insurance is satisfied that the assets of the insurer's life insurance fund are adequate to meet all his liabilities on policies of life insurance maturing for payment."

8. Amendment of section 15, Act IV of 1938—In sub-section (2) of section 15 of the said Act,—

(a) in clause (a), after the word "audited" the words "by an auditor or" shall be inserted;

(b) in clause (b), after the words "account of receipts and payments" the words and figures "in accordance with the regulations contained in Part I of the Third Schedule" shall be inserted.

9. Amendment of section 17, Act IV of 1938—In section 17 of the said Act, for the words "that Act" the words "the first-mentioned Act" shall be substituted.

10. Amendment of section 21, Act IV of 1938—In clause (c) of sub-section (1) of section 21 of the said Act, after the word and figures "section 16" the words and figures "or section 28" shall be inserted.

11. Amendment of section 22, Act IV of 1938—Section 22 of the said Act shall be renumbered as sub-section (1) of that section, and—

(a) in the said sub-section (1)—

(i) after the words "cause an investigation and valuation" the words "as at such date as the Superintendent of Insurance shall specify" shall be inserted;

(ii) after the words "approved by the Superintendent of Insurance" the following shall be added, namely:—

"and the insurer shall place at the disposal of the actuary so appointed and approved all the material required by the actuary for the purposes of the investigation and valuation within such period, not being less than two months, as the Superintendent of Insurance may specify."

(b) to the section as so renumbered the following sub-section shall be added, namely:—

"(2) The provisions of sub-sections (1) and (4) of section 13, and of sub-sections (1) and (2) of section 15, or, as the case may be, of sub-section (2) of section 16 shall apply in relation to an investigation and valuation caused to be made under this section:

Provided that the abstract and statement prepared as the result of such investigation and valuation shall be furnished by such date as the Superintendent of Insurance may specify."

12. Amendment of section 27, Act IV of 1938—In section 27 of the said Act,—

(a) in sub-section (1), after the words "British India" the words "or the United Kingdom" shall be inserted and the *Explanation* shall be omitted;

(b) in sub-sections (1) and (2),—

(i) for the word, brackets and figure "sub-section (3)" the words, brackets, figures and letter "sub-section (2A) and (3)" shall be substituted;

(ii) after the words "loans granted by him on policies of life insurance" the words "issued by him and" shall be inserted;

(c) after sub-section (2) the following sub-section shall be inserted, namely:—

"(2A) Where an insurer has accepted reinsurance in respect of any policies of life assurance issued by another insurer and maturing for payment in India or has ceded reinsurance to another insurer in respect of any such policies issued by himself, the sum referred to in sub-section (1) or sub-section (2) shall be increased by the amount of the liability involved in such acceptance and decreased by the amount of liability involved in such cession."

(d) in sub-section (4), for the word "claims" the word "liabilities" shall be substituted.

13. Amendment of section 28, Act IV of 1938—In sub-sections (1), (2) and (3) of section 28 of the said Act, for the word "statement" wherever it occurs the word "return" shall be substituted.

14. Amendment of section 29, Act IV of 1938—After the second proviso to sub-section (1) of section 29 of the said Act, the following further proviso shall be inserted, namely:—

"Provided further that where any event occurs giving rise to circumstances, the existence of which at the time of the grant of any subsisting loan would have made such grant a contravention of this section, such loan shall, notwithstanding any contract to the contrary, be repaid within six months from the occurrence of such event or from the commencement of the Insurance (Second Amendment) Act, 1944, whichever is later, and in case of default the director, manager, auditor, actuary, officer or partner

concerned shall, without prejudice to any other penalty which he may incur, cease to hold office with the insurer granting the loan on the expiry of the said six months."

15. Amendment of section 31, Act IV of 1938—In section 31 of the said Act,—

(a) after the words "any insurer" the word "shall" shall be omitted;

(b) after the word and figures "section 27" the words "and none of the assets in an Indian State of an insurer incorporated or domiciled in British India, except in the case of deposits made under any law of the State relating to insurance, shall" shall be inserted;

(c) for the words "public officer approved" the words "person approved, generally or in respect of specified assets," shall be substituted.

16. Insertion of new section 31A in Act IV of 1938—

After section 31 of the said Act the following section shall be inserted, namely:—

"31A. *Provisions relating to managers, etc.*—(1) Notwithstanding anything to the contrary contained in the Indian Companies Act, 1913 (VII of 1913), or in the Articles of Association of the insurer if a company, or in any contract,—

(a) no insurer shall, after the expiry of two years from the commencement of the Insurance (Second Amendment) Act, 1944, be managed by, or employ in any managing or advisory capacity, any person whose remuneration or any part thereof takes the form of commission or of a share in the profits or in the valuation surplus of the insurer;

(b) no manager, managing director or any other person concerned in the management of an insurer's business shall be entitled to nominate a successor to his office, and no person so nominated shall be entitled to hold or to continue in such office.

(2) No person shall have any right whether in contract or otherwise to any compensation for any loss incurred by reason of the operation of this section."

17. Amendment of section 33, Act IV of 1938—In sub-section (1) of section 33 of the said Act, after the words "himself make such investigation" the following shall be inserted, namely:—

"utilising, if necessary at any time, the services of an auditor or actuary, and the insurer shall make available all the books of account, registers and other documents and other information required by the person or persons making the investigation for the purposes of the investigation within such period, not being less than three months, as the Superintendent of Insurance may specify."

18. Amendment of section 39, Act IV of 1938—To sub-section (7) of section 39 of the said Act, the following words and proviso shall be added, namely:—

"or has at any time applied:

Provided that where a nomination made whether before or after the commencement of the Insurance (Second Amendment) Act, 1944, in favour of the wife of the policy-holder or of his wife and children or any of them is expressed, whether or not on the face of the policy, as being made under this section, the said section 6 shall be deemed not to apply or have applied to the policy unless the policy-holder when making the nomination or at any time before the policy matures for payment makes express provision to the contrary."

19. Amendment of section 40, Act IV of 1938—In section 40 of the said Act—

(a) after sub-section (1), the following sub-section shall be inserted, namely:—

"(1A) In this section and sections 40A, 41 and 43, references to an insurance agent shall be construed as including references to a person soliciting or procuring insurance business exclusively in an Indian State notified in this behalf by the Central Government in the official Gazette and holding a valid licence as an insurance agent under the law of that State."

(b) in sub-section (2)—

(i) for the word "fifteen" the word "ten" shall be substituted;

(ii) after the proviso the following further proviso shall be inserted, namely:—

"Provided further that insurers incorporated or domiciled in British India or the United Kingdom in respect of insurance business other than life insurance business, may pay, during the first ten years of their business, to their insurance agents twelve and a half per cent of the premiums payable on any policy or policies effected through them."

20. Insertion of new section 40A in Act IV of 1938—After section 40 of the said Act the following section shall be inserted, namely :—

“40A. Chief agents—(1) All contracts between an insurer and a person acting on his behalf who for the purposes of insurance business employs insurance agents (such person being hereinafter in this section referred to as a chief agent) subsisting at the commencement of the Insurance (Second Amendment) Act, 1944, shall terminate on the expiry of ten years from the commencement of the said Act or on the date of expiry expressed in the contract, whichever is earlier.

(2) No contract between an insurer and a chief agent shall be entered into or renewed for a period exceeding ten years at a time, and notwithstanding the terms of any contract to the contrary, no option of renewal of any such contract shall be enforceable without the consent of both parties.

(3) No chief agent shall be paid or contract to be paid by way of remuneration or expenses in any form (including commission or other remuneration payable by him to insurance agents) in connection with insurance business other than life insurance business an amount exceeding twenty per cent of the premiums payable on any policy or policies effected through him or an insurance agent employed through or under him, or where the payment to the chief agent is made by an insurer, incorporated or domiciled in British India or the United Kingdom, during the first ten years of the insurer's business, exceeding twenty-two and a half per cent of the said premiums.

(4) A chief agent shall in forwarding any life insurance business procured by an insurance agent employed by him inform the insurer of the name of the insurance agent and the rate of commission or other remuneration agreed to be paid to the insurance agent procuring such business, and shall, where for any reason the said insurance agent ceases to be employed by him, inform the insurer within thirty days accordingly.

(5) Where for any reason an insurance agent ceases or has ceased to be employed by a chief agent, the amount from time to time due to the chief agent under any contract entered into by him with an insurer shall, notwithstanding anything to the contrary contained in the said contract, be diminished by the amount which would from time to time have been payable by the chief agent to the said insurance agent in respect of business procured for the said insurer.

(6) If any chief agent fails to comply with the provisions of sub-section (4), or demands or receives any amount in contravention of sub-section (5), he shall be punishable with fine which may extend to one thousand rupees.”

21. Insertion of new section 47A in Act IV of 1938—After section 47 of the said Act, the following section shall be inserted, namely :—

“47A. Life insurance agents not to be directors of life insurance companies—No insurance agent who solicits or procures life insurance business shall be eligible to be or remain a director of any insurance company carrying on life insurance business :

Provided that any director holding office at the commencement of the Insurance (Second Amendment) Act, 1944, shall not become ineligible to remain a director by virtue of this section until the expiry of six months from the commencement of that Act.”

22. Insertion of new section 53A in Act IV of 1938—After section 53 of the said Act the following section shall be inserted, namely :—

“53A. Unpaid-up share capital—Notwithstanding anything contained in any other law, in ascertaining for any purpose of this Act the solvency or otherwise of an insurer, no account shall be taken of any assets of the insurer consisting of unpaid-up share capital.”

23. Amendment of section 58, Act IV of 1938—To section 58 of the said Act, the following sub-section shall be added, namely :—

“(5) When making an order confirming a scheme under this section the Court may make such orders as it considers necessary for the disposal of so much of the deposit made by the company under section 7 or section 98 as does not relate to the classes of insurance business, if any, which the company continues to carry on.”

24. Amendment of section 59, Act IV of 1938—In section 59 of the said Act, after the words “an insurance company” the following shall be inserted, namely :—

“(otherwise than in a case to which section 58 applies)”:

25. Amendment of section 65, Act IV of 1938—In sub-section (1) of section 65 of the said Act,—

(a) in clause (a), for the word “fifty” the word “seventy-five” shall be substituted ;

(b) in clause (b), for the words “five hundred” the words “seven hundred and fifty” shall be substituted.

26. Amendment of section 70, Act IV of 1938—In section 70 of the said Act,—

(a) in clause (d) of sub-section (2), after the word “affidavit” the words “made by the principal officer of the society authorised in that behalf” shall be inserted ;

(b) in sub-section (3), for the words and figures “minimum working capital required by section 72 is available,” the words, figures and letter “society complies with the provisions of sections 71, 72, 73 and 73A,” shall be substituted ;

(c) in sub-section (4),—

(i) in clause (a) after the words “is satisfied” the words “from the returns furnished under the provisions of this Act or” shall be inserted ;

(ii) after clause (b) of the second proviso the following word and clause shall be inserted, namely :—

“ or

(c) cancel the registration of a provident society if the Superintendent of Insurance is satisfied that any disputed claim upon the society arising under any policy of insurance maturing for payment in India remains unpaid after final judgment in regular course of law.” ;

(d) in sub-section (6),—

(i) after the word, brackets and figure “sub-section (4)” the words, brackets and letter “or clause (c) of the second proviso to that sub-section” shall be inserted ;

(ii) after the word and figures “section 73” the words, brackets, letter and figure “or satisfies the Superintendent of Insurance that no claim upon it such as is referred to in clause (c) of the second proviso to sub-section (4) remains unpaid” shall be inserted.

27. Substitution of new section for section 71, Act IV of 1938—For section 71 of the said Act the following section shall be substituted, namely :—

“71. Certain provisions of Part I I to apply to provident societies—The provisions of sections 31A, 32, 46 and 53A shall apply to provident societies as they apply to insurers.”

28. Amendment of section 73, Act IV of 1938—In sub-section (1) of section 73 of the said Act, the word “gross” shall be omitted, and after the words “calendar year” the words “as shown in the revenue account of the society” shall be inserted.

29. Insertion of new section 73A in Act IV of 1938—After section 73 of the said Act, the following section shall be inserted, namely :—

“73A. Restriction on name of provident society—(1) A provident society shall not be registered by a name identical with that by which an insurer or another provident society in existence is already registered, or so nearly resembling that name as to be calculated to deceive, except when the provident society in existence is in the course of being dissolved and signifies its consent or the insurer in existence signifies his consent, to the Superintendent of Insurance.

(2) If a provident society, through inadvertence or otherwise, is without such consent as aforesaid registered by a name identical with that by which an insurer or another provident society already in existence is registered, or so nearly resembling it as to be calculated to deceive, the first-mentioned society shall, if called upon to do so by the Superintendent of Insurance on the application of the insurer or the second-mentioned society, change its name within a time to be fixed by the Superintendent of Insurance :

Provided that nothing in this section shall apply to any provident society carrying on business before the commencement of the Insurance (Second Amendment) Act, 1944.”

30. Amendment of section 81, Act IV of 1938—In sub-section (1) of section 81 of the said Act, after the word “made” the words “as at the last day of a calendar year” shall be inserted.

31. Amendment of section 85, Act IV of 1938—In section 85 of the said Act,—

(a) in sub-section (1), for the word “Government” the word “approved” shall be substituted ;

(b) to sub-section (3) the following provisos shall be added, namely :—

“Provided that nothing in this sub-section shall apply to loans made by a provident society to a banking company :

Provided further that where any event occurs giving rise to circumstances, the existence of which at the time of the grant of any subsisting loan would have made such grant a contravention of this sub-section, such loan shall, notwithstanding any contract to the contrary, be repaid within six months from the occurrence of such event or from the commencement of the Insurance (Second Amendment) Act, 1944, whichever is later, and in case of default the director, manager, auditor, actuary or partner concerned shall, without prejudice to any other penalty which he may incur, cease to hold office in the society on the expiry of the said six months."

32. Amendment of section 86, Act IV of 1938—In section 86 of the said Act, for the words "made an application in this behalf to the Superintendent of Insurance" the words "on application in this behalf been permitted, with or without conditions, by the Superintendent of Insurance to make such inspection" shall be substituted.

33. Amendment of section 87, Act IV of 1938—In section 87 of the said Act,—

(a) in sub-section (1), for the words "solvency of the society and the manner in which the business of the society is conducted," the words "affairs of the society," shall be substituted ;

(b) after sub-section (4) the following sub-sections shall be added, namely :—

"(5) The Superintendent of Insurance may require the provident society to comply within a time to be specified by him (not being less than fifteen days from the receipt of the notice by the society) with any directions he may issue to remedy defects disclosed by an inquiry under this section.

(6) If, as the result of any inquiry made under this section, the Superintendent of Insurance is of opinion that it is necessary in the interests of the policy-holders that the business of the provident society should be wound up, or if the society fails to comply with any directions issued under sub-section (5), the Superintendent may, after giving notice to the society and giving it an opportunity to be heard, apply to the Court for the winding up of the society."

34. Insertion of new section 87A in Act IV of 1938—After section 87 of the said Act the following section shall be inserted, namely :—

"87A. *Amalgamation and transfer of insurance business*—(1) The insurance business of a provident society may be transferred to any person or transferred to or amalgamated with the insurance business of any other provident society in accordance with a scheme prepared under this section and sanctioned by the Superintendent of Insurance.

(2) Any scheme prepared under this section shall set out the agreement under which the transfer or amalgamation is proposed to be effected, and shall contain such further provisions as may be necessary for giving effect to the scheme.

(3) Before an application is made to the Superintendent of Insurance to sanction any such scheme, notice of the intention to make the application together with a statement of the nature of the amalgamation or transfer, as the case may be, and of the reason therefor, shall, at least two months before the application is made, be sent to the Superintendent of Insurance and certified copies, four in number, of each of the following documents, shall be furnished to him, and other such copies shall during the two months aforesaid be kept open for the inspection of the members and policy-holders at the principal and branch offices of the provident societies concerned, namely :—

(a) a draft of the agreement or deed under which it is proposed to effect the amalgamation or transfer ;

(b) balance-sheets in respect of the insurance business of each of the provident societies concerned in such amalgamation or transfer ;

(c) actuarial reports and abstracts in respect of the insurance business of each of the provident societies so concerned ;

(d) a report on the proposed amalgamation or transfer, prepared by an independent actuary ;

(e) any other reports on which the scheme of amalgamation or transfer was founded.

The balance-sheets, reports and abstracts referred to in clauses (b), (c) and (d) shall all be prepared as at the date at which the amalgamation or transfer if sanctioned by the Superintendent of Insurance is to take effect, which date shall not be more than twelve months before the date on which the application to the Superintendent of Insurance is made under this section :

Provided that the Superintendent of Insurance may exempt the provident society or societies concerned from furnishing to him and from keeping open for inspection any one or more of the above documents.

(4) When any application such as is referred to in sub-section (3) is made to the Superintendent of Insurance, the Superintendent of Insurance may require, if for special reasons he so directs, notice of the application to be sent to every person resident in British India or in an Indian State who is the holder of a policy of any provident society concerned and may cause a statement of the nature and terms of the amalgamation or transfer, as the case may be, to be published in such manner and for such periods as he may direct, and, after hearing the societies concerned, such policy-holders as apply to be heard and such other persons as he may deem fit, may sanction the arrangement, if he is satisfied that no sufficient objection to the arrangement has been established and shall make such consequential orders as are necessary to give effect to the arrangement, including orders as to the disposal of any deposit made under section 73 :

Provided that—

(a) no part of the deposit made by any party to the amalgamation or transfer shall be returned except where, after effect is given to the arrangement the whole of the deposit to be made by the provident society carrying on the amalgamated business or the person to whom the business is transferred is completed.

(b) only so much shall be returned as is no longer required to complete the deposit last mentioned in clause (a), and

(c) while the deposit last mentioned in clause (a) remains uncompleted, no accession, resulting from the arrangement, to the amount already deposited by the provident society carrying on the amalgamated business or the person to whom the business is transferred shall be appropriated as payment or part payment of any instalment or deposit subsequently due from it or him under section 73.

(5) A copy of the order under sub-section (4) sanctioning or refusing to sanction the arrangement shall be sent to each of the societies concerned and to each of the policy-holders who applied to be heard."

35. Amendment of section 88, Act IV of 1938—For sub-section (2) of section 88 of the said Act the following sub-section shall be substituted, namely :—

"(2) In addition to the grounds on which such an order may be based, the Court may order the winding up of a provident society if the Superintendent of Insurance, who is hereby authorised to do so, applies in this behalf to the Court on any of the following grounds, namely :—

(a) that the registration of the society has been cancelled under sub-section (4) of section 70 ;

(b) that it appears from the returns furnished under the provisions of the Act or as the result of an inquiry made under section 87 that the society is insolvent ;

(c) that the continuance of the society is prejudicial to the interests of the policy-holders."

36. Insertion of new section 90A in Act IV of 1938—After section 90 of the said Act the following section shall be inserted, namely :—

"90A. *Application of Act to liquidators*—Notwithstanding anything to the contrary contained in the Indian Companies Act, 1913 (VII of 1913), the provisions of sections 91, 92 and 93 shall apply to any liquidator appointed to wind up a provident society, whether by the Court, the Superintendent of Insurance or the society itself."

37. Amendment of section 92, Act IV of 1938—In sub-section (4) of section 92 of the said Act, after the words "a suitable person," the brackets and words "(determining the remuneration to be paid to him;" shall be inserted.

38. Amendment of section 98, Act IV of 1938—In sub-section (2) of section 98 of the said Act, the words "gross" and "received" shall be omitted, and after the words "previous calendar year" the words "as shown in the revenue account" shall be added.

39. Insertion of new section 98A in Act IV of 1938—After section 98 of the said Act the following section shall be inserted, namely :—

"98A. *Prohibition of loans*—The provision of section 29 shall apply to Co-operative Life Insurance Societies as they apply to other insurers, so however that in such application the references in the second proviso to sub-section (1) of the said section to the commencement of this Act shall be construed as references to the commencement of the Insurance (Second Amendment) Act, 1944."

40. Amendment of section 105, Act IV of 1938—In subsection (1) of section 105 of the said Act, after the word "complaint" the words "of the Superintendent of Insurance made after giving the insurer not less than seven days notice of his intention, or on the complaint" shall be inserted.

41. Amendment of section 110, Act IV of 1938—In subsection (1) of section 110 of the said Act, the word "or" at the end of clause (e) shall be omitted, and after that clause the following clause shall be inserted, namely:—

"(ee) an order under section 87A sanctioning or refusing to sanction an arrangement for transfer or amalgamation;"

42. Amendment of section 116A, Act IV of 1938—In the proviso to section 116A of the said Act, for the words "statements" the word "returns" shall be substituted.

43. Amendment of Third Schedule, Act IV of 1938—In the Third Schedule to the said Act,—

(a) in part I, for regulation 7 the following regulation shall be substituted, namely:—

"7. In addition to the revenue account information shall be supplied of the gross premium income written direct in India (not taking into account premiums on reassurances ceded or accepted) for every class or sub-class of business in respect of which the insurer is required to maintain a separate account."

(b) in Part II, in fifth column of Form D, for the words "First year premiums" the following shall be substituted, namely:—

"First year premiums where the maximum premiums-paying period is—two years.....
three years.....
four years.....
five years.....
six years.....
seven years.....
eight years.....
nine years.....
ten years.....
eleven years.....
twelve years.....
twelve years or over.....
(including throughout life)....."

STATEMENT OF OBJECTS AND REASONS

The Insurance Act, 1938 (IV of 1938) was last substantially amended in 1941. Experience gained in the administration of the Act during the succeeding years has brought to light several flaws and lacunae in it. It is proposed to amend the Insurance Act so as to remove those defects and also to secure greater financial stability of insurance companies.

Brief explanatory notes on the several sections of the Amending Bill are given in the annexed notes on clauses.

NEW DELHI

M. AZIZ-UL-HUQUE

The 12th October 1944

Notes on Clauses

Clause 2—While conditional assignees are recognised in section 38(7), it was not intended that such assignees should have the full rights of policy-holders under the Act, and the amendment makes this point clear.

Clause 3—Sub-clause (a) is to clarify the position that registration for one class of business only does not entitle an insurer to embark on other classes of insurance business without further registration.

Complaints have been received of tardy settlement of claims even when claims have been supported by a final judgement of the Courts. Sub-clauses (b) to (d) will enable registration to be cancelled for such delays, revival being contemplated where the Superintendent of Insurance is satisfied that due claims have been honoured.

Sub-clause (e) applies the provisions of section 3(5D) to all insurance companies, and gives the Superintendent of Insurance discretion whether to apply for winding up or not.

There are certain provisions of the Act other than those in section 3 which should be complied with before an insurer is registered, and sub-clause (f) attracts those other provisions.

Clauses 4 and 25—Sections 4 and 65 are being amended to avoid undesirable competition between insurers and provident societies.

Clauses 5 and 29—The Act does not at present prohibit identity of name as between one provident society and another and as between insurers and provident societies: these amendments fill this lacuna.

Clause 6—By mutual arrangements with certain Indian States, deposits made under this Act have been accepted as cover in the State, and *vice versa*. It is a corollary of this arrangement that deposits in one place should not be returned without the agreement of the insurance authorities of the other. Negotiations for complementary legislation in the States concerned are in progress.

Clause 7—The amendments (a) make it clear that the life insurance fund should be invested and kept apart from the other assets of the insurer, and (b) provide that a person carrying on life insurance business shall not be entitled to embark on other classes of insurance business unless the Superintendent of Insurance is satisfied that the life insurance fund is adequate for its intended purpose.

Clause 8—The amendments (a) enable an auditor as defined in the Act to furnish the required statement, and (b) make it clear that the provisions of the regulations in the Third Schedule also apply to the account of receipts and payments of insurers mentioned in section 16.

Clause 9—This amendment is formal and consequential upon an insertion in section 17 made in 1939.

Clauses 10, 13 and 42—These amendments have the effect of applying the provisions of section 21 to returns (hitherto called statements) required by section 28. The last amendment is consequential.

Clause 11—The first amendment will enable an investigation and valuation to be ordered as at a date later than that of the original investigation or valuation.

Experience has shown a tendency to delay submission of the necessary documents to the investigator, and sub-clause (a) (i) gives to the Superintendent of Insurance power to impose a reasonable limit of time for this purpose.

Sub-clause (b) applies the relevant provisions of sections 13, 15 and 16 to investigation under section 22.

Clause 12—Sub-clauses (a) and (d) are formal.

Sub-clause (b) makes an insertion to provide that only loans granted by the insurer on his own policies can be taken into account by way of reducing the amount of his investments.

Sub-clause (c) while requiring liabilities accepted by way of reinsurance to be taken in account when calculating the amount of investments permits liabilities so ceded to be deducted in making the calculation.

Clause 14—This clause provides for the early repayment of loans which when taken did not contravene section 29 but which by reason of some later event infringe that section.

Clause 15—This clause extends section 31 to cover the case of a British Indian insurer's assets in an Indian State.

Clause 16—This seeks to prohibit two undesirable practices, (i) paying managers and similar officers on a commission basis, and (ii) such officers nominating their successors without regard to the successor's qualifications for the office.

Clause 17—As section 33 is drawn, it would seem that if the Superintendent of Insurance himself makes the investigation he cannot at any stage utilise the services of an auditor or actuary to assist him. The first part of this amendment adjusts this position: to the second part of the amendment the note on sub-clause (a) (ii) of clause 11 is applicable.

Clause 18—It was not intended that a nomination citing section 39 of the Act in favour of a wife or child should attract the provisions of the Married Women's Property Act, 1874, and this amendment is to secure the desired position.

Clause 19—This clause amends section 40 for the following purposes:—

(a) to avoid duplicate licensing of insurance agents operating in Indian States with which Government has entered into mutual arrangements as to the administration of insurance law;

(b) to modify the rates of commission admissible to insurance agents.

Clause 20—This inserts a section to make certain desirable provisions in regard to employers of insurance agents.

Clause 21—It is considered undesirable that a life insurance agent should be a director of any company transacting life business, and provision is made prohibiting this.

Clause 22—Unpaid-up share capital is not necessarily a realisable asset, and this clause provides that unpaid-up share capital shall not be taken in account in determining the solvency or otherwise of an insurer or provident society.

Clauses 23 and 24—In sanctioning a scheme of partial winding up, it is desirable that the Court should have power to make orders in respect of the portion of deposits affected. Clause 23 inserts provision accordingly and clause 24 makes a consequential amendment.

Clauses 26 and 27—These clauses apply to provident societies certain provisions applicable to insurers which are either in the Act or are to be inserted therein by this Bill.

Clauses 28 and 38—The references to "gross premium" in sections 73 and 93 have given rise to difficulties in checking whether deposits have been properly made: in future the "premium as shown in the revenue account" will be required.

Clause 30—An insertion is made in section 81 requiring valuation to be made as at the 31st December.

Clause 31—Sub-clause (a) widens the scope of investment for provident societies by substituting "approved societies" as defined in the Act for "Government securities".

The first proviso added by sub-clause (b) is on the lines of the first proviso to section 29(1), and to the second proviso added the note on clause 14 applies.

Clause 32—The change made is formal

Clause 33—This brings the provision for inquiries into the affairs of provident societies into line with sub-sections (1), (4) and (5) of section 33 relating to insurers.

Clauses 34 and 41—The former clause introduces provision for the transfer and amalgamation of provident societies with the sanction of the Superintendent. The latter clause provides for appeals against his orders in such matters.

Clause 35—This recasts section 88 (2)—relating to the grounds on which an application to wind up a provident society may be made—to include clauses analogous to sub-clauses (iii) and (iv) of section 53 (2) (b), which treat the question in relation to insurers.

Clause 36—This adds a clarifying provisions to the effect that sections 91 to 93 apply to all liquidators by whomsoever appointed.

Clause 37—This supplies a formal omission.

Clause 39—This applies section 29 (regarding loans) to co-operative life insurance societies.

Clause 40—This is to enable the Superintendent of Insurance to make complaints after notice to the insurer concerned.

Clause 43—This recasts regulation 7 in the Third Schedule, and amends the form of revenue account of life business to require data as to first premiums to be given in more detail.

MD. RAFI

Secy. to the Govt. of India

L. A. BILL No. 23 OF 1944

A Bill further to amend the Payment of Wages Act, 1936

WHEREAS it is expedient further to amend the Payment of Wages Act, 1936 (IV of 1936), for the purposes hereinafter appearing;

It is hereby enacted as follows:—

1. Short title—This Act may be called the Payment of Wages (Amendment) Act, 1944.

2. Amendment of section 2, Act IV of 1936—In section 2 of the Payment of Wages Act, 1936 (hereinafter referred to as the said Act), for clause (vi) the following clause shall be substituted, namely:—

(vi) "wages" means all remuneration, capable of being expressed in terms of money, earned under the terms of his contract of employment, express or implied, by an employed person in respect of his employment or of work done in such employment, and includes any sum earned as overtime pay, bonus or additional remuneration for increased output, or any other additional remuneration of the nature aforesaid, and any sum payable to such person to counteract abnormal economic conditions or by reason of the termination of his employment, but does not include—

(a) the value of any house accommodation, supply of light, water, medical attendance or other amenity, or of any service excluded by general or special order of the Provincial Government,

(b) any contribution paid by the employer to any pension fund or provident fund,

(c) any travelling allowance or the value of any travelling concession,

(d) any sum paid to the employed person to defray special expenses entailed on him by the nature of his employment.

(e) any gratuity payable on discharge.

3. Amendment of section 5, Act IV of 1936—In section 5 of the said Act,—

(a) for sub-section (1) the following sub-section shall be substituted, namely:—

"(1) The wages of every employed person shall be paid before the expiry of the tenth day after the last day of the wage-period in respect of which the wages are payable."

(b) in sub-section (2) for the words "second working" the word "third" shall be substituted;

(c) in sub-section (4) after the word "wages" the words, brackets and figure "except payments to which sub-section (2) applies" shall be inserted.

4. Amendment of section 7, Act IV of 1936—In section 7 of the said Act,—

(a) in sub-section (2) the word "and" at the end of clause (j) shall be omitted, and after clause (k) the following clauses shall be added, namely:—

"(l) deductions to recover from a person re-employed after the termination of his former employment any amount paid to him from a provident fund or as a gratuity on such termination;

(m) deductions specially authorised by the Provincial Government for a purpose beneficial to the employed person."

(b) after sub-section (2) the following sub-sections shall be added, namely:—

"(3) Where the wages for any employment are on an incremental basis, the increments of any employed person may for disciplinary reasons be withheld or his wages may for like reasons be reduced to a lower stage in the scale, provided that in the latter case he shall be given such period of notice of such reduction as is not less than the period of notice required to be given him under his contract of employment for the termination of his employment.

(4) Where an employed person is required to perform a class of employment involving a standard of skill or responsibility lower than that involved in the employment in which he is employed for the time being, any diminution in wages by reason of such lower standard of skill or responsibility shall be deemed not to be a deduction from wages for the purposes of this Act.

(5) The provision of sub-sections (1), (2) and (3) of section 8 shall apply to any withholding of increment or reduction referred to in sub-section (3), and where any action such as is referred to in sub-section (4) is taken for disciplinary reasons, to such action, as they apply to the imposition of fines."

5. Amendment of section 8, Act IV 1936—In sub-section (7) of section 8 of the said Act, for the words "of the act or omission in respect of which it was imposed" the words "on which the act or omission in respect of which it was imposed was detected" shall be substituted.

6. Amendment of section 9, Act IV of 1936—In sub-section (2) of section 9 of the said Act, the *Explanation* shall be numbered as *Explanation 1*, and after that *Explanation* the following *Explanation* shall be added, namely:—

"*Explanation 2*—Failure to attend work at the proper time is absence from duty within the meaning of clause (b) of sub-section (2) of section 7."

7. Substitution of new section for section 13, Act IV of 1936—For section 13 of the said Act the following section shall be substituted, namely:—

"13. *Other deductions*—Deductions under any of clauses (j), (k), (l) and (m) of sub-section (2) of section 7 shall be subject to such conditions as the Provincial Government may impose."

8. Amendment of section 17, Act IV of 1936—In clause (b) of sub-section (1) of section 17 of the said Act, after the word "by" the words "an Inspector under this Act or" shall be inserted.

STATEMENT OF OBJECTS AND REASONS

The Payment of Wages Act, 1936, when passed, was recognised to be an experimental piece of legislation. During its working a number of defects and difficulties have come to notice. While many of them can be left to be dealt with by comprehensive legislation at a later

date, it is considered necessary to remove a few even during war time and the Bill seeks to achieve this object.

NEW DELHI

18th October 1944

B. R. AMBEDKAR

Notes on Clauses

Clause 2—Definition of "wages"—The definition of "wages" in the existing Act has given rise to much difficulty in interpretation.

The phrase "whether conditionally upon the regular attendance, good work or conduct or other behaviour of the person employed, or otherwise has led to the impression that an employed person is entitled to full wages irrespective of the stipulated outturn. This was not the intention and it is proposed to omit this altogether, at the same time making it clear that the "wages" have to be earned under the contract of employment.

The revised definition also gets over another difficulty. Previously it was not clear if wages under a profit-sharing scheme which could not be calculated until after profits were known, had none the less to be paid within the "wage period". This practical difficulty is now sought to be overcome.

Doubts were expressed whether allowances of the kind given against increased cost of living formed part of 'wages'. The revised definition specifically includes such allowances.

Clause 3—Amendment of section 5—The linking of the date of payment with the number of employees has caused difficulties. It is affected by factories working either single or double shifts or by a slight change in the number of employees. The main object of the Act is to ensure that wages are paid regularly and this will still be accomplished if the period is uniformly fixed at 10 days as now proposed.

The reference to 'working' day does not adequately cover cases of seasonal factories or factories that close down. The second 'working day' may be after the lapse of several months or may never occur. At the same time it is not always practicable, for instance in railway employment to ensure payment in so short a time as two days.

It is accordingly proposed to substitute the words 'second working' by the word 'third' in sub-section (2) of section 5.

Clause 4—Some judicial decisions on questions of stoppage of increments or reductions, etc., have led to difficulties. The Sind Chief Court held some time ago that the temporary reduction of an employee from one step in an incremental scale to another amounted to a 'deduction' within the meaning of the Act. Doubts have also been expressed whether reductions, demotions, etc., by way of disciplinary measures amounted to 'deductions'.

The amendments seek to make the position clearer and provide as follows:—

(a) Where there is an incremental scale, a stoppage of increment and reduction in the incremental scale as disciplinary measures are authorised, but the latter may only be made after notice for such period as is required under the contract of employment for the termination of employment.

(b) A diminution of wages by reason of requirement to perform work involving a standard of skill or responsibility lower than that in the previous work, is not a 'deduction'.

Clause 5—Amendment of sub-section (7) of section 8—Acts or omissions may not be detected for some time after their commission. The present provision requiring that no fine shall be recovered after the expiry of sixty days from the date of the act or commission, therefore, becomes sometimes impracticable. It is accordingly proposed that the time should count from the date of detection of the act or omission.

Clause 8—Amendment of section 17—It is considered necessary to empower an inspector in some cases to go in appeal against an adverse decision.

New Delhi, 25th October 1944

L. A. BILL No. 24 OF 1944

A Bill to provide for the creation of a fund to be expended by a Committee specially constituted for the improvement and development of the cultivation, production and marketing of rice and rice products.

WHEREAS it is expedient to provide for the creation of a fund to be expended by a Committee specially constituted in this behalf for the improvement and development of the cultivation and marketing of paddy, and the production and marketing of rice and rice products, in India;

It is hereby enacted as follows:—

1. Short title and extent—(1) This Act may be called the Indian Rice Committee Act, 1944.

(2) It extends to the whole of British India.

2. Definitions—In this Act, unless there is anything repugnant in the subject or context,—

(a) "Collector" means, in reference to rice hulled in a mill in British India, the Collector of the district in which the mill is situated, or any other officer appointed by the Central Government to perform the duties of a Collector under this Act;

(b) "the Committee" means the Indian Rice Committee constituted under this Act;

(c) "Fund" means the Rice Improvement Fund referred to in sub-section (2) of section 3;

(d) "mill" means any place in which rice is hulled with the aid of power, as defined in clause (f) of section 2 of the Factories Act, 1934 (XXV of 1934);

(e) "prescribed" means prescribed by rules made under this Act.

3. Imposition of rice cess—(1) There shall be levied and collected, as a cess for the purposes of this Act, on all rice hulled in any mill in British India, whether produced in or imported from outside British India, a duty of excise at such rate, not exceeding six annas per ton, as the Central Government may from time to time and after consulting the Committee fix in this behalf by notification in the official Gazette.

(2) On the last day of each month, or as soon thereafter as may be convenient, the proceeds of the duty recovered during that month shall, after deduction of the expenses, if any, of collection and recovery, be paid to the Committee, and the Committee shall credit the said proceeds and any other monies received by it to a fund to be called the Rice Improvement Fund.

4. Constitution of Indian Rice Committee—As soon as may be after the commencement of this Act, the Central Government shall cause to be constituted a Committee consisting of the following members, to receive for credit to the Fund the proceeds of the duty and to administer the Fund, namely:—

(a) the Vice-Chairman, Imperial Council of Agricultural Research;

(b) the Agricultural Marketing Adviser with the Government of India;

(c) the Agricultural Commissioner with the Government of India;

(d) two officers, one of the Department of Commerce, and the other of the Department of Food, of the Government of India, appointed by the Central Government;

(e) ten persons representing respectively the Departments of Agriculture of the Governments of Madras, Bombay, Bengal, the United Provinces, the Punjab, Bihar, the Central Provinces and Berar, Assam, Orissa and Sind, appointed in each case by the Provincial Government concerned;

(f) not more than three persons nominated by the Central Government to represent the Departments of Agriculture of the Indian States;

(g) two persons representing the rice milling industry, one nominated by the Associated Chambers of Commerce and the other by the Federation of Indian Chambers of Commerce;

(h) twelve persons representing the rice industry and trade, to be nominated two by each of the Governments of Madras and Bengal, and one by each of the Governments of Bombay, the United Provinces, the Punjab, Bihar, the Central Provinces and Berar, Assam, Orissa and Sind, after consulting the recognised organisations of the industry and trade within the respective provinces;

(i) fourteen persons representing rice growers, to be nominated three by the Government of Bengal, two by each of the Governments of Madras and Bihar, and one by

MD. RAFI

Secretary to the Government of India

each of the Governments of Bombay, the United Provinces, the Punjab, the Central Provinces and Berar, Assam, Orissa and Sind ;

(j) such additional persons, not exceeding five, as the Central Government may appoint.

5. Incorporation of Committee—The Committee shall be a body corporate by the name of the Indian Rice Committee, having perpetual succession and a common seal with power to acquire and hold property, both movable and immovable, and to contract, and shall by the said name sue and be sued.

6. Vacancies—(1) If within the period prescribed in this behalf, or within such further period as the Central Government may allow, any authority or body fails to make any nomination or appointment which it is entitled to make under section 4, the Central Government may itself appoint a member to fill the vacancy in the Committee.

(2) Where a member of the Committee dies, resigns or is removed, or ceases to reside in India, or becomes incapable of acting, the Central Government may, on the recommendation of the authority or body which was entitled to make the first nomination or appointment under section 4, or, where such recommendation is not made within a reasonable time, then on its own initiative, appoint a person to fill the vacancy.

(3) No act done by the Committee shall be questioned on the ground merely of the existence of any vacancy in, or any defect in the constitution of the Committee.

7. President of Committee, Secretary, sub-committees and staff—(1) The Vice-Chairman, Imperial Council of Agricultural Research shall be the President of the Committee.

(2) The Central Government shall appoint a person to be the Secretary of the Committee and such person shall be paid by the Committee such salary and such allowances as may be fixed by the Central Government.

(3) The Committee may appoint such sub-committees and staff as may be necessary for the efficient performance of its functions under this Act.

8. Appointment of officers—The Central Government may, on the recommendation of the Committee, appoint an officer or officers to discharge under the direction of the Committee such duties as may be prescribed, and such officer or officers shall be paid by the Committee such salary and allowances as may be fixed by the Central Government.

9. Application of Fund—(1) The Committee shall apply the Fund to meeting the expenses of the Committee and the cost of such measures as it may consider necessary or expedient to take for the improvement and development of the cultivation and marketing of paddy, and of the production and marketing of rice and rice products.

(2) Without prejudice to the generality of the foregoing power, the Committee may utilise the Fund to defray expenditure involved in—

(a) undertaking, assisting or encouraging agricultural, industrial, technological and economic research ;

(b) supplying technical advice to growers and owners of mills ;

(c) encouraging the adoption of improved method of cultivation and storage ;

(d) producing, testing and distributing improved varieties of seed or assisting such work ;

(e) aiding the control and destruction of insect and other pests and diseases of paddy and rice, both in the field and in storage ;

(f) promoting the improvement of the marketing of paddy, rice and rice products, including the setting up and adoption of grade standards for paddy and rice ;

(g) collecting statistics from growers, dealers and millers on all relevant matters, and promoting improvement in the forecasting of crops and the preparation of all relevant statistics relating to paddy, rice and rice products ;

(h) maintaining, and assisting the maintenance of, such institutes, farms and stations as may be considered necessary ;

(i) advising and providing assistance on all matters which require attention for the improvement of the cultivation of paddy and in the rice industry generally ;

(j) adopting any other measures or performing any duties which the Committee may be required by the Central Government to adopt or perform or which the Committee may itself think necessary or advisable in order to carry out the purposes of this Act.

10. Delivery of monthly returns—(1) The owner of every mill shall furnish to the Collector on or before the 7th day of each month a return stating the total amount

of rice hulled in the mill during the preceding month, together with such further information in regard thereto as may be prescribed :

Provided that no return shall be required in regard to rice hulled before the commencement of this Act.

(2) Every such return shall be made in such form and shall be verified in such manner as may be prescribed.

11. Collection of cess by Collector—(1) On receiving any return made under section 10, the Collector shall assess the amount of the duty payable under section 3 in respect of the period to which the return relates, and if the amount has not already been paid, shall cause a notice to be served upon the owner of the mill requiring him to make payment of the amount assessed within thirty days of the service of the notice.

(2) If the owner of any mill fails to furnish in due time the return referred to in sub-section (1) of section 10 or the return furnished is incorrect or defective, the Collector shall assess the amount if any, payable by him in such manner as may be prescribed, and the provisions of sub-section (1) shall thereupon apply as if such assessment had been made on the basis of a return furnished by the owner :

Provided that, in the case of a return which he has reason to believe is incorrect or defective, the Collector shall not assess the duty at an amount higher than that at which it is assessable on the basis of the return without giving to the owner a reasonable opportunity of proving the correctness and completeness of the return.

(3) A notice under sub-section (1) may be served on the owner of a mill either by post or by delivering it or tendering it to the owner or his agent at the mill.

12. Finality of assessment and recovery of unpaid duty—(1) An assessment made in accordance with the provisions of section 11 shall not be questioned in any Court.

(2) Any owner of a mill who is aggrieved by an assessment made under section 11 may, within three months of service of the notice referred to in sub-section (1) of that section, apply to the Central Government for the cancellation or modification of the assessment and, on such application, the Central Government may cancel or modify the assessment and order the refund to such owner of the whole or part, as the case may be, of any amount paid thereunder.

(3) Any sum recoverable under section 11 may be recovered as an arrear of land-revenue.

13. Power to inspect mills and take copies of records and accounts—(1) The Collector or any officer empowered by general or special order of the Central Government in this behalf shall have free access at all reasonable times during working hours to any mill or to any part of any mill.

(2) The Collector or any such officer may at any time, with or without notice to the owner examine the working records, sale records and accounts of any mill and take copies of or extracts from all or any of the said records and accounts for the purpose of testing the accuracy of any return or of informing himself as to the particulars regarding which information is required for the purposes of this Act or any rules made thereunder.

(3) Where any officer other than the Collector proposes to examine under sub-section (2) any record or account containing the description or formulae of any trade process, the owner of the mill may give to the said officer, for transmission to the Collector, a written notice of objection and the officer shall thereupon seal up the record or account pending the orders of the Collector.

14. Information acquired to be confidential—(1) All such copies and extracts and all information acquired by a Collector or any other officer from an inspection of any mill or warehouse or from any return submitted under this Act shall be treated as confidential.

(2) If the Collector or any such officer discloses to any person other than a superior officer any such information as aforesaid without the previous sanction of the Central Government, he shall be punishable with imprisonment which may extend to six months and shall also be liable to fine :

Provided that nothing in this section shall apply to the disclosure of any such information for the purposes of a prosecution in respect of the making of a false return under this Act.

15. Keeping and auditing of accounts—(1) The Committee shall publish an annual report and shall keep accounts of all duty and other monies received by it and of the manner in which the Fund is expended and shall also publish a summary of the accounts along with the annual report.

(2) Such accounts shall be examined and audited annually in the prescribed manner, and the auditors shall have power to disallow any item which has been, in their opinion, expended otherwise than in pursuance of the purposes of this Act.

(3) If any item is disallowed, an appeal shall lie to the Central Government whose decision shall be final.

16. Dissolution of Committee—The Central Government may, by notification in the official Gazette, declare that, with effect from such date as may be specified in the notification, the Committee shall be dissolved, and on the making of such declaration all funds and other property vested in the Committee shall vest in His Majesty for the purposes of the Central Government and this Act shall be deemed to have been repealed.

17. Power of the Central Government to make rules—

(1) The Central Government may make rules for the purpose of carrying into effect the provisions 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) for prescribing the time within which nominations shall be made under section 4 whether in the first instance or on the occurrence of vacancies ;

(b) for prescribing the term of office of the members of the Committee ;

(c) for prescribing the circumstances in which and the authority by which any member may be removed ;

(d) for prescribing the quorum of the Committee ;

(e) for the holding of a minimum number of meetings of the Committee during any year ;

(f) for the maintenance by the Committee of a record of all business transacted and the submission of copies of such records to the Central Government ;

(g) for the definition of the powers of the Committee to enter into contracts which shall be binding on the Committee, and the manner in which such contracts shall be executed ;

(h) for the regulation of the travelling allowances of members of the Committee and of their remuneration, if any ;

(i) for the definition of the powers of the Committee, in respect of the appointment, promotion and dismissal of officers and servants of the Committee, and in respect of the creation and abolition of appointments of such officers or servants ;

(j) for the regulation of the grant of pay and leave to officers and servants of the Committee, and the payment of leave allowances to such officers and servants, and the remuneration to be paid to any person appointed to act for any officer or servant to whom leave is granted ;

(k) for the regulation of the payment of pensions, gratuities, compassionate allowances and travelling allowances to officers and servants of the Committee ;

(l) for prescribing the establishment and maintenance of a provident fund for the officers and servants of the Committee, and for the deduction of subscriptions to such provident fund from the pay and allowances of such officers and servants, other than Government servants whose services have been lent or transferred to the Committee ;

(m) for prescribing the preparation of budget estimates of the annual receipts and expenditure of the Fund and of supplementary estimates of expenditure not included in the budget estimates, and the manner in which such estimates shall be sanctioned and published ;

(n) for defining the powers of the Committee, the Standing Finance Sub-Committee, if any, and the President, respectively, in regard to the expenditure from the Fund, whether provision has or has not been made in the budget estimates or by re-appropriation for such expenditure, and in regard to the re-appropriation of estimated savings in the budget estimates of expenditure ;

(o) for prescribing the maintenance of accounts of the receipts and expenditure of the Fund and providing for the audit of such accounts ;

(p) for prescribing the manner in which payments are to be made by or on behalf of the Committee, and the officers by whom orders for making deposits or investments or for withdrawals or disposal of the funds of the Committee shall be signed ;

(q) for determining the custody in which the current account of the Fund shall be kept, and the bank or banks

at which surplus monies at the credit of the Fund may be deposited at interest, and the conditions on which such monies may be otherwise invested ;

(r) for prescribing the preparation of a statement showing the sums allotted to Departments of Agriculture or institutions not under the direct control of the Committee for expenditure on research, the actual expenditure incurred, the outstanding liabilities, if any, and the disposal of unexpended balances at the end of the year ;

(s) for prescribing the duties of the officers appointed under section 8, and the powers and duties of the Secretary of the Committee ;

(t) any other matter which is to be or may be prescribed.

18. Power of the Committee to make regulations—The Committee may, with the previous sanction of the Central Government, make regulations consistent with this Act and with any rules made under section 17 to provide for all or any of the following matters, namely:—

(a) the appointment of a Standing Finance Sub-Committee or other Sub-Committee and the delegation thereto of any powers exercisable under this Act by the Committee ;

(b) the method of appointment, removal and replacement and the term of office of members of the Sub-Committees, and for the filling of vacancies therein ;

(c) the dates, times and places for meetings of the Committee and the Sub-Committees and the procedure to be observed at such meetings ;

(d) the circumstances in which security may be demanded from officers and servants of the Committee, and the amount and nature of such security in each case ;

(e) the times at which, and the circumstances in which, payments may be made out of the provident fund and the conditions on which such payments shall relieve the fund from further liability ;

(f) the contribution, if any, payable from the Fund to the provident fund ;

(g) generally all matters incidental to the provident fund and the investment thereof.

19. Publication of rules and regulations—All rules made under section 17 and all regulations made under section 18 shall be published in the official Gazette.

STATEMENT OF OBJECTS AND REASONS

In view of the importance of rice as an agricultural crop and as the principal food of a very large proportion of the population of the country, it is considered necessary to put rice research, development and technology on a more permanent basis than it stands at present. Accordingly it is proposed to set up an Indian Central Rice Committee on lines similar to those of the Indian Central Cotton Committee, the Indian Lac Cess Committee, etc. The Committee which will have on it representatives of all the important interests concerned will devote exclusive attention to all problems connected with the improvement and development of the cultivation and marketing of paddy, the production and marketing of rice, and rice products and all matters incidental thereto. Since it is desirable that the Committee should have an independent source of income, it is proposed that as in the case of other similar Committees, e.g., the Indian Central Cotton Committee, the Indian Lac Cess Committee, etc., funds should be provided by the levy of a small excise duty not exceeding a rate of annas 6 per ton on all paddy which is hulled in power mills.

JOHN D. TYSON

NEW DELHI:
The 20th October 1944

MD. RAFI
Secy. to the Govt. of India