The Life Insurance Corporation Act, 1956

(ACT NO. 31 OF 1956)

[*As on the* 23*rd June*, 2026]

LIST OF AMENDING ACTS

1. The Life Insurance Corporation (Amendment) Act, 1957 (17 of 1957).
2. The Repealing and Amending Act, 1957 (36 of 1957).
3. The Life Insurance Corporation (Amendment) Act, 1965 (33 of 1965).
4. The Labour Provident Fund Laws (Amendment) Act, 1971 (16 of 1971).
5. The Public Financial Institutions Laws (Amendment) Act, 1975 (52 of 1975).
6. The Finance Act, 1976 (66 of 1976).
7. The Life Insurance Corporation (Amendment) Act, 1981 (1 of 1981).
8. The Insurance Regulatory and Development Authority Act, 1999 (41 of 1999).
9. The Finance Act, 2002 (20 of 2002).
10. The Life Insurance Corporation (Amendment) Act, 2011 (8 of 2012).
11. The Finance Act, 2021 (13 of 2021).
12. The *Sabka Bima Sabki Raksha* (Amendment of Insurance Laws) Act, 2025 (40 of 2025).
13. The *JanVishwas* (Amendment of Provisions) Act, 2026 (8 of 2026).

LIST OF ABBREVIATIONS USED

Cl., cls.	. . . . .	*for*	Clause, clauses.
Ins.	. . . . .	,,	Inserted.
Notifn.	. . . . .	,,	Notification.
S., ss.	. . . . .	,,	Section, sections.
Sch.	. . . . .	,,	Schedule.
Subs.	. . . . .	,,	Substituted.
w.e.f.	. . . . .	,,	with effect from.

THE LIFE INSURANCE CORPORATION ACT, 1956

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THE LIFE INSURANCE CORPORATION ACT, 1956

ACT NO. 31 OF 1956

[18*th June,* 1956.]

An Act to provide for the nationalisation of life insurance business in India by transferring all such business to a Corporation established for the purpose and to provide for the regulation and control of the business of the Corporation and for matters connected therewith or incidental thereto.

BE it enacted by Parliament in the Seventh Year of the Republic of India as follows:—

CHAPTER I

PRELIMINARY

1. Short title and commencement.—(*1*) This Act may be called the Life Insurance Corporation Act, 1956.

(*2*) It shall come into force on such date[1] as the Central Government may, by notification in the Official Gazette, appoint.

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

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

[2][(*1a*) "Audit Committee" means the Committee constituted under section 19C;

(*1b*) "Board of Directors" or "Board" means the collective body of the directors appointed or nominated or deemed as such under section 4;

(*1c*) "Chairperson" means the Chairperson referred to in clause (*a*) of sub-section (*2*) of section 4;

(*1d*) "Chief Executive" means,—

(*i*) during the initial period, the Chairperson referred to in sub-clause (*i*) of clause (*a*) of sub-section (*2*) of section 4;

(*ii*) after the initial period, the Chief Executive Officer and Managing Director;

(*1e*) "Chief Executive Officer and Managing Director" means the Chief Executive Officer and Managing Director referred to in clause (*b*) of sub-section (*2*) of section 4;

(*1f*) "Companies Act" means the Companies Act, 2013 (18 of 2013);

(*1g*) "court" means "Court" as defined in clause (*29*) of section *2* of the Companies Act, 2013 (18 of 2013);]

(*2*) "composite insurer" means an insurer carrying on in addition to controlled business any other kind of insurance business;

(*3*) "controlled business" means—

(*i*) in the case of any insurer specified in sub-clause (*a*) (*ii*) or sub-clause (*b*) of clause (*9*) of section 2 of the Insurance Act and carrying on life insurance business—

(*a*) all his business, if he carries on no other class of insurance business;

(*b*) all the business appertaining to his life insurance business, if he carries on any other class of insurance business also;

1. 1st July, 1956, *vide* notifn. No. S. R. O. 1456, dated 26*th* June, 1956, *see* Gazette of India, Extraordinary, Part II, sec. 3.
2. Ins. by Act 13 of 2021, s. 129 (w.e.f. 30-6-2021).

(*c*) all his business, if his certificate of registration under the Insurance Act in respect of general insurance business stands wholly cancelled for a period of more than six months on the 19th day of January, 1956;

(*ii*) in the case of any other insurer specified in clause (*9*) of section 2 of the Insurance Act and carrying on life insurance business—

(*a*) all his business in India, if he carries on no other class of insurance business in India;

(*b*) all the business appertaining to his life insurance business in India, if he carries on any other class of insurance business also in India;

(*c*) all his business in India, if he certificate of registration under the Insurance Act in respect of general insurance business in India stands wholly cancelled for a period of more than six months on the 19th day of January, 1956.

Explanation.—An insurer is said to carry on no class of insurance business other than life insurance business, if, in addition to life insurance business, he carries on only capital redemption business or annuity certain business or both; and the expression "business appertaining to his life insurance business" in sub-clauses (*i*) and (*ii*) shall be construed accordingly;

[1]* * * *

(*iv*) in the case of the Central Government or a State Government, all life insurance business carried on by it, subject to the exceptions specified in section 44;

(*4*) "Corporation" means the Life Insurance Corporation of India established under section 3;

[2][(*4a*) "director" means a director appointed or nominated or deemed as such under section 4;

(*4b*) "financial statement", in relation to the Corporation, includes—

(*i*) a balance-sheet as at the end of the financial year;

(*ii*) a profit and loss account for the financial year;

(*iii*) cash flow statement for the financial year;

(*iv*) a statement of changes in equity, if applicable; and

(*v*) any explanatory note annexed to, or forming part of, any document referred to in sub-clause (*i*) to sub-clause (*iv*);

(*4c*) "fully diluted basis" shall mean, in relation to the percentage holding of the Central Government on such basis, the total number of shares held by the Central Government expressed as a percentage of the total number of shares of the Corporation that would be outstanding if all possible sources of conversion are exercised;

(*4d*) "independent director" means an independent director referred to in clause (*g*) of sub-section (*2*) of section 4;

(*4e*) "initial period" means the period of three years reckoned from the date on which the provisions of section 130 of the Finance Act, 2021 (13 of 2021) shall come into force;]

(*5*) "Insurance Act" means the Insurance Act, 1938 (4 of 1938);

(*6*) "insurer" means an insurer as defined in the Insurance Act who carries on life insurance business in India and includes the Government [3]***;

[2][(*6a*) "Managing Director" means a Managing Director referred to in clause (*c*) of sub-section (*2*) of section 4;]

1. Sub-clause (*iii*) omitted by Act 40 of 2025, s. 77 (w.e.f. 5-2-2026).

2. Ins. by Act 13 of 2021, s. 129 (w.e.f. 30-6-2021).

3. Certain words omitted by Act 40 of 2025, s. 77 (w.e.f. 5-2-2026).

[1][(*7*) "member" means every person holding shares of the Corporation and whose name is entered in the register of members maintained under clause (*a*) of sub-section (*1*) of section 5B;

(*7a*) "Nomination and Remuneration Committee" means the Committee constituted under section 19B;

(*7b*) "notification" means a notification published in the Official Gazette, and the expression "notify" shall be construed accordingly;]

(*8*) "prescribed" means prescribed by rules made under this Act;

[2][(*8a*) "special resolution" means a resolution for which the intention to propose the same as a special resolution has been duly specified in the notice given to members for calling a general meeting, and the votes cast in favour of the resolution by members are not less than three times the number of votes, if any, cast against the resolution;]

(*9*) "Tribunal" means a Tribunal constituted under section 17 and having jurisdiction in respect of any matter under the rules made under this Act;

[3][(*10*) unless there is anything repugnant in the subject or context, all the words and expressions used herein but not defined and defined in the Insurance Act, 1938 (4 of 1938) or in the Companies Act, 2013 (18 of 2013) shall have the meanings respectively assigned to them in the said Acts.]

CHAPTER II

ESTABLISHMENT OF LIFE INSURANCE CORPORATION OF INDIA

3. Establishment and incorporation of Life Insurance Corporation of India.—(*1*) With effect from such date as the Central Government may, by notification in the Official Gazette, appoint, there shall be established a Corporation called the Life Insurance Corporation of India.

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

[4][**4. Board of Directors.**—(*1*) The general superintendence and direction of the affairs and business of the Corporation shall vest in its Board of Directors, which may exercise all such powers and do all such acts and things as may be exercised or done by the Corporation and are not by this Act expressly directed or required to be done by the Corporation in general meeting.

(*2*) The Board of Directors of the Corporation shall consist of the following directors, not exceeding eighteen, of whom at least one shall be a woman, namely:—

(*a*) a Chairperson of the Board, to be appointed by the Central Government, who shall,—

(*i*) during the initial period, be a whole-time director of the Corporation; and

(*ii*) after the initial period, be from amongst the non-executive directors nominated or to be nominated by the Central Government;

(*b*) after the initial period, a Chief Executive Officer and Managing Director, who shall be a whole-time director of the Corporation to be appointed by the Central Government:

Provided that where no Chief Executive Officer and Managing Director is appointed before expiry of the initial period, the individual holding office as Chairperson shall be deemed to have been appointed as the Chief Executive Officer and Managing Director on and from the date of such expiry;

(*c*) Managing Directors, not exceeding four, to be appointed by the Central Government, who shall be whole-time directors of the Corporation;

1. Subs. by Act 13 of 2021, s. 129, for cl. (*7*) (w.e.f. 30-6-2021).
2. Ins. by s. 129, *ibid.* (w.e.f. 30-6-2021).
3. Subs. by s. 129, *ibid.,* for cl. (*10*) (w.e.f. 30-6-2021).
4. Subs. by s. 130, *ibid*., for s. 4 (w.e.f. 30-6-2021).

(*d*) an officer of the Central Government not below the rank of a Joint Secretary to the Government of India, to be nominated by the Central Government;

(*e*) an individual to be nominated by the Central Government, who has special knowledge or practical experience in actuarial science, business management, economics, finance, human resources, information technology, insurance, law, risk management, or any other field the special knowledge or

practical experience of which would be useful to the Corporation in the opinion of the Central Government or who represent the interests of policyholders;

(*f*) where the total holding of members other than the Central Government in the paid-up equity capital of the Corporation is—

(*a*) not more than ten per cent., one individual;

(*b*) more than ten per cent., two individuals,

who shall be elected by and from amongst such members and in such manner as may be specified by regulations, to be appointed by the Board; and

(*g*) such number of independent directors, not exceeding nine, to be recommended by the Nomination and Remuneration Committee and appointed by the Board.

(*3*) An independent director of the Corporation shall, in relation to the Corporation, meet the same criteria of independence as an independent director of a company is required to meet in relation to the company under sub-section (*6*) of section 149 of the Companies Act:

Provided that such a director shall also meet, in addition to the aforesaid criteria, any criteria that the Nomination and Renumeration Committee may formulate regarding qualifications, positive attributes and independence:

Provided further that every such director shall at the first meeting of the Board in which he participates as a director and thereafter at the first meeting of the Board in every financial year or whenever there is any change in the circumstances which may affect his status as an independent director, give a declaration that he meets the criteria of independence under this sub-section and that he is not aware of any circumstance or situation, which exist or may reasonably be anticipated, that could impair or impact his ability to discharge his duties with an objective independent judgment and without any external influence.

(*4*) An individual appointed by the Board as a director under clause (*f*) or clause (*g*) of sub-section (*2*) shall hold office up to the date of the next annual general meeting or the last date on which the annual general meeting should have been held, whichever is earlier, and shall hold office beyond such date only if his appointment is approved at the annual general meeting.

(*5*) Before an individual is appointed or nominated as a director under sub-section (*2*), the Central Government or the Nomination and Remuneration Committee, as the case may be, shall satisfy itself that such an individual as a director shall have no financial or other interest as is likely to affect prejudicially the exercise or performance by him of the functions of a director:

Provided that the Board shall satisfy itself from time to time with respect to every director other than a director nominated under clause (*d*) of sub-section (*2*) that he has no such interest:

Provided further that, for the purposes of this sub-section, any individual who is, or whose appointment or nomination or election is proposed and who has consented to be a director, shall furnish such information as the Central Government or the Nomination and Remuneration Committee or the Board, as the case may be, may require.

(*6*) Notwithstanding anything contained in sub-section (*2*), on and from the appointed date, an individual appointed under section 4 who is eligible to be or remain a director under section 4A and who, immediately before such appointed date, held the office of a member of the Corporation—

(*i*) in the capacity as the Chairman of the Corporation, shall be deemed to be a director and the Chairperson under sub-clause (*i*) of clause (*a*) of sub-section (*2*);

(*ii*) in the capacity as a Managing Director of the Corporation, shall be deemed to be a director and a Managing Director under clause (*c*) of sub-section (*2*);

(*iii*) and is an officer of the Central Government not below the rank of a Joint Secretary to the Government of India in the Department of Financial Services, shall be deemed to be a director nominated under clause (*d*) of sub-section (*2*);

(*iv*) and has been in office for a duration which is the longest amongst members other than members referred to in clauses (*i*), (*ii*) and (*iii*), shall be deemed to be a director nominated under clause (*e*) of sub-section (*2*):

Provided that every such individual shall hold office until expiry of the term, if any, specified at the time of his appointment as a member of the Corporation, or until a director appointed or nominated, as the case may be, under sub-section (*2*) in place of such an individual assumes office:

Provided further that any act or proceeding of the collective body of members constituting the Corporation under section 4 before the appointed date, shall be deemed to be an act or proceeding, as the case may be, of the Board.

Explanation.—For the purposes of this sub-section, —

(*a*) notwithstanding anything contained in clause (*7*) of section 2, the expression "member" shall mean a member appointed to the Corporation constituted under section 4 [as it stood before the coming into force of section 130 of the Finance Act, 2021];

(*b*) "appointed date" means the date on which the provisions of section 130 of the Finance Act, 2021 shall come into force.

4A. Disqualification to be director.—An individual shall not be eligible to be or remain a director if, —

(*a*) he is of unsound mind and stands so declared by a competent court;

(*b*) he is an undischarged insolvent;

(*c*) he has applied to be adjudicated as an insolvent and his application is pending;

(*d*) he has been convicted by a court of any offence, whether involving moral turpitude or otherwise, and sentenced in respect thereof to imprisonment for not less than six months and a period of five years has not elapsed from the date of expiry of the sentence:

Provided that if an individual has been convicted of any offence and sentenced in respect thereof to imprisonment for a period of seven years or more, he shall not be eligible to be a director;

(*e*) an order disqualifying him to be a director has been passed by a court or the National Company Law Tribunal constituted under section 408 of the Companies Act, and the order is in force;

(*f*) he has not paid any calls in respect of any shares of the Corporation held by him, whether alone or jointly with others, and six months have elapsed from the last day fixed for the payment of such call;

(*g)* he attracts any disqualification for being a director of a company under the provisions of sub-section (*2*) of section 164 of the Companies Act, subject to such exceptions thereto as the Central Government may, by notification, specify;

(*h*) he is a salaried government official, other than an individual nominated director under clause (*d*) of sub-section (*2*) of section 4;

(*i*) he is an insurance agent or an intermediary or an insurance intermediary;

(*j*) he is an employee of the Corporation, other than the Chief Executive or a Managing Director, or of its subsidiary or associate company;

(*k*) he is a director of a subsidiary or an associate company of the Corporation and is other than the Chief Executive or a Managing Director;

(*l*) he is an employee or a director or a promoter of any insurer carrying on life insurance business anywhere in the world, other than the Corporation or its subsidiary or associate company, or of any holding company, subsidiary or associate company of such an insurer;

(*m*) he absents himself from all the meetings of the Board held during a period of twelve months, with or without seeking leave of abs

Provided that the disqualifications referred to in clauses (*d*) and (*e*) shall continue to apply even if an appeal or petition has been filed against the order of conviction or disqualification.

4B. Disclosure of interest by director and senior management.—(*1*) Every director shall at the first meeting of the Board in which he participates as a director and thereafter at the first meeting of the Board in every financial year, or whenever there is any change in the disclosures already made, then at the first Board meeting held after such change, disclose his concern or interest in any body corporate, which shall include shareholding, in such manner as may be prescribed.

(*2*) Every director who is in any way, whether directly or indirectly, concerned or interested in a contract or arrangement or proposed contract or arrangement entered into or to be entered into by the Corporation—

(*a*)with a body corporate in which such director or such director in association with any other director, holds more than two per cent. shareholding of that body corporate, or is a promoter, manager, chief executive officer or trustee of that body corporate, or

(*b*) with a firm or other entity in which such director is a partner, owner or member, as the case may be,

shall not participate in any meeting of the Board or of its Committee in which such contract or arrangement is deliberated upon, or in any other deliberations or discussions regarding such contract or arrangement, and shall, in the case of such deliberations in a meeting of the Board or its Committee, disclose the nature of his concern or interest to the Board or the Committee, as the case may be:

Provided that where any director who is not so concerned or interested at the time of entering into such contract or arrangement, he shall, if he becomes concerned or interested after the contract or arrangement is entered into, disclose his concern or interest forthwith when he becomes concerned or interested, or at the first meeting of the Board held after he becomes so concerned or interested.

(*3*) A contract or arrangement entered into by the Corporation without disclosure under sub-section (*2*) or with participation by a director who is concerned or interested in any way, whether directly or indirectly, in such contract or arrangement, shall be voidable at the option of the Corporation.

(*4*) Such employees as the Board may specify as constituting the senior management of the Corporation shall make disclosures to the Board relating to all material, financial and commercial transactions, in which they have personal interest that may have a potential conflict with the interest of the Corporation, and the Board shall formulate a policy on such transactions, including any materiality threshold therefor, and shall review such policy at least once every three years.

Explanation.—For the purposes of this sub-section, conflict of interest relates to dealing in the shares of the Corporation or any of its subsidiaries or associate companies, commercial dealings with bodies in which the senior management individual or his relatives have shareholding, etc.

(*5*) If an individual who is a director contravenes the provisions of sub-section (*1*) or sub-section (*2*), or an employee referred to in sub-section (*4*), contravenes such provisions, such an individual or employee shall be liable to pay penalty of a sum of up to one lakh rupees.

(*6*) Without prejudice to anything contained in sub-section (*5*), it shall be open to the Corporation to proceed against a director or any other employee who had entered into such contract or arrangement in contravention of the provisions of this section for recovery of any loss sustained by it as a result of such contract or arrangement.

Explanation.—For the purposes of sections 4B and 4C, the expression "body corporate" shall include a company, a body corporate as defined under clause (*11*) of section 2 of the Companies Act, a firm, a financial institution or a scheduled bank or a public sector enterprise established or constituted by or under any Central Act or State Act, and any other incorporated association of persons or body of individuals.

4C. Related party transactions.—(*1*) Except with the consent of the Board and subject to such conditions as may be prescribed, the Corporation shall not enter into any contract or arrangement with a related party with respect to—

(*a*) sale, purchase or supply of any goods or materials;

(*b*) selling or otherwise disposing of, or buying, property of any kind;

(*c*) leasing of property of any kind;

(*d*) availing or rendering of any services;

(*e*) appointment of any agent for purchase or sale of goods, materials, services or property;

(*f*) such related party's appointment to any office or place of profit in the Corporation, its subsidiary or associate company;

(*g*) underwriting the subscription of any securities, or derivatives thereof, of the Corporation:

Provided that no contract or arrangement involving transactions exceeding such sums as the Board may specify, shall be entered into except with the prior approval in the general meeting: Provided further that no member shall vote in such general meeting to approve any contract or arrangement which may be entered into by the Corporation, if such member is a related party: Provided also that nothing in this sub-section shall apply to any transactions entered into by the Corporation in its ordinary course of business, other than transactions which are not on an arm's length basis:

Provided also that the requirement of approval under the first proviso shall not be applicable for transactions entered into between the Corporation and—

(*a*) its wholly owned subsidiary, if any, whose financial statements are consolidated with the Corporation and placed before the members at the general meeting for adoption;

(*b*) a Government company, or the Central Government, or any State Government, or any combination thereof, in respect of contract or arrangement entered into between them.

Explanation.—In this sub-section,—

(*a*) the expression "office or place of profit" means any office or place—

(*i*) where such office or place is held by a director, if the director holding it receives from the Corporation anything by way of remuneration over and above the remuneration to which he is entitled as director, by way of salary, fee, commission, perquisites, any rent-free accommodation, or otherwise;

(*ii*) where such office or place is held by an individual other than a director or by any firm, private company or other body corporate, if the individual, firm, private company or body corporate holding it receives from the Corporation anything by way of remuneration, salary, fee, commission, perquisites, any rent-free accommodation, or otherwise;

(*b*) the expression "arm's length transaction" means a transaction between two related parties that is conducted as if they were unrelated, so that there is no conflict of interest.

(*2*) The Board shall formulate a policy on materiality of related party transactions and on dealing with related party transactions, including clear threshold limits, and shall review and update such policy at least once in every three years.

Explanation.—For the removal of doubts, it is hereby clarified that a transaction with a related party shall be considered material if the amount of the transaction to be entered into, individually or taken together with previous transactions during a financial year, exceeds such percentage of the annual consolidated turnover of the Corporation as per its last audited financial statements as may be specified in any regulation made by the Securities and Exchange Board in this behalf.

(*3*) Every contract or arrangement entered into under sub-section (*1*) shall be referred to in a report made by the Board to the members, along with the justification for entering into such contract or arrangement.

(*4*) Where any contract or arrangement is entered into by a director or any other employee, without obtaining the consent of the Board or approval by a resolution in the general meeting under sub-section (*1*) and if it is not ratified by the Board or, as the case may be, by the members at a meeting within three months from the date on which such contract or arrangement was entered into, such contract or arrangement shall be voidable at the option of the Board or, as the case may be, of the members and if the contract or arrangement is with a related party to any director, or is authorised by any other director, the directors concerned shall indemnify the Corporation against any loss incurred by it.

(*5*) Without prejudice to anything contained in sub-section (*4*), it shall be open to the Corporation to proceed against a director or any other employee who had entered into such contract or arrangement in contravention of the provisions of this section for recovery of any loss sustained by it as a result of such contract or arrangement.

(*6*) Any director or any other employee of the Corporation who had entered into or authorised a contract or arrangement in violation of the provisions of this section, shall be liable to pay penalty of a sum of up to twenty-five lakh rupees.

4D. Adjudication of penalties.—(*1*) The Central Government may, by an order published in the Official Gazette, appoint an officer of the Central Government, not below the rank of Joint Secretary to the Government of India or equivalent, as adjudicating officer for adjudging penalties under the provisions of this Act.

(*2*) The adjudicating officer may, on a complaint made in writing by a person authorised by the Corporation, and after giving a reasonable opportunity of being heard, by an order impose penalty [1][on any person] liable to penalty under any provision of this Act on account of any contravention or violation on his part.

(*3*) The adjudicating officer, for the purposes of discharging his functions under this Act, shall have the same powers as are vested in a civil court under the Code of Civil Procedure, 1908 (5 of 1908) while trying a suit, to summon and enforce the attendance of any person and examine him on oath and to require the discovery and production of documents or other electronic records, and shall be deemed to be a civil court for purposes of Order XXI of the Civil Procedure Code, 1908.

(*4*) [2][Any person aggrieved by an order] made by the adjudicating officer may prefer an appeal to such officer to the Central Government of a rank higher than that of the adjudicating officer as the Central Government may appoint as appellate authority, within thirty days from the date on which a copy of the order made by the adjudicating officer is received by the aggrieved individual, and the officer so appointed may, after giving the individual an opportunity of being heard, pass such order as he may deem fit, confirming, modifying or setting aside the order appealed against, or remanding the case to the adjudicating officer for disposal, with such directions as he may deem fit.

(*5*) [3][Where any person] having already been subjected to penalty under this Act for any contravention or violation of any provision of this Act, again commits such contravention or violation within a period of three years from the date of order imposing such penalty passed by the adjudicating officer, he shall be liable for the second or subsequent contravention or violation for twice the amount of penalty provided therefor.]

1. Subs. by Act 8 of 2026, s. 3 and Sch., for "on a director or employee" (w.e.f. 23-6-2026).

2. Subs. by s. 2 and Sch., *ibid*., for "A director or employee aggrieved by any order" (w.e.f. 23-6-2026). 3.
Subs. by s. 2 and Sch., *ibid*., for "Where a director or employee of the Corporation" (w.e.f. 23-6-2026).

[1][**5. Capital of Corporation.—**(*1*) The authorised share capital of the Corporation shall be twenty-five thousand crore rupees, divided into two thousand and five hundred crore shares of ten rupees each:

Provided that the Central Government may, by notification, increase the authorised share capital or reduce the authorised share capital to such amount not less than the amount of the paid-up equity capital of the Corporation immediately before the coming into force of section 131 of the Finance Act, 2021, as it may deem fit:

Provided further that the Corporation may, with the previous approval of the Central Government, consolidate or reduce the nominal or face value of the shares, divide the authorised share capital into equity share capital or a combination of equity and preference share capital, and divide the nominal or face value of shares into such denomination as the Corporation may decide.

(*2*) The Corporation shall, with the previous approval of the Central Government, issue equity shares to the Central Government in consideration for the paid-up equity capital provided by the Central Government to the Corporation as it stood before the coming into force of section 131 of the Finance Act, 2021.

(*3*) The share capital of the Corporation shall consist of equity shares and preference shares, which may be fully paid-up or partly paid-up:

Provided that the Board may determine the terms of issue of partly paid-up shares and payment of calls for such partly paid-up shares.

(*4*) The Corporation may from time to time increase its issued share capital, with the previous approval of the Central Government, whether by public issue or rights issue or preferential allotment or private placement or issue of bonus shares to existing members holding equity shares, or by issue of shares to employees pursuant to share based employee benefits schemes, or by issue of shares to life insurance policyholders of the Corporation, or otherwise:

Provided that the Central Government shall, on a fully diluted basis hold,—

(*a*) at all times, not less than fifty-one per cent. of the issued equity share capital of the Corporation;

(*b*) during a period of five years from the date of first issue of shares to any person other than the Central Government, not less than seventy-five per cent. of the issued equity share capital of the Corporation:

Provided further that no shares shall be issued other than by way of rights issue unless authorised by a special resolution, except in the circumstances where the provisions of the second and third provisos to sub-section (*1*) of section 23A apply:

Provided also that issue of shares to life insurance policyholders of the Corporation shall not be by preferential allotment or private placement.

(*5*) Where the Corporation issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount of the premium received on those shares shall be transferred to a share premium account, and the provisions of sub-sections (*7*) and (*8*) shall, except as provided in sub-section (*6*), apply as if the share premium account were the paid-up share capital of the Corporation.

(*6*) The share premium account referred to in sub-section (*5*) may be applied by the Corporation—

(*a*) towards the issue of unissued shares of the Corporation to members as fully paid-up bonus shares;

(*b*) in writing off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the Corporation;

1. Subs. by Act 13 of 2021, s. 131, for section 5 (w.e.f. 30-6-2021).

(*c*) in providing for the premium payable on the redemption of any redeemable preference shares or of any debentures or of any securities of the Corporation; or

(*d*) for the purchase of its own shares or other securities.

(*7*) The Corporation may, by a special resolution, reduce its paid-up equity share capital in the following manners, namely:—

(*a*) giving of previous notice by the Corporation of the intended reduction to every member, and to such class or classes of creditors as the Central Government may, by notification, specify;

(*b*) constitution of a committee which shall consist of a chairperson who has been a judge of a High Court or the chairperson of a tribunal and such independent experts not exceeding two as the Board may appoint, to consider representations, if any, that may be made by members and creditors referred to in clause (*a*) in respect of the intended reduction and to submit its recommendations to the Board; and

(*c*) after consideration of the committee's recommendations, making of recommendations by the Board for reduction, either as given in the notice or with such modifications as the Board may consider necessary, to the Central Government for its approval.

(*8*) Without prejudice to the generality of the power under sub-section (*7*), the Corporation may reduce its paid-up equity share capital by—

(*a*) extinguishing or reducing the liability on any of its equity shares in respect of share capital not paid-up; or

(*b*) cancelling, with or without extinguishing or reducing liability on any of its paid-up equity shares, any paid-up equity share capital which is either lost or is unrepresented by available assets; or

(*c*) paying off, with or without extinguishing or reducing liability on any of its paid-up equity shares, any paid-up equity share capital which is in excess of the wants of the Corporation.

(*9*) Notwithstanding anything contained in any other law for the time being in force—

(*a*) regarding various categories of persons in favour of whom an issuer may make reservations on a competitive basis, in relation to a public issue, the Corporation may, at any time during the period of five years from the commencement of section 131 of the Finance Act, 2021, make a reservation on a competitive basis, to an extent of up to ten per cent. out of the issue size, in favour of its life insurance policyholders as one of the reserved categories for such public issue:

Provided that the value of the allotment of equity shares to such a policyholder shall not exceed two lakh rupees, or such higher amount as the Central Government may by notification specify:

Provided further that, in the event of under-subscription in the policyholder reservation portion, the unsubscribed portion may be allotted on a proportionate basis, in excess of the value referred to in the first proviso, subject to the total allotment to a policyholder not exceeding five lakh rupees or such higher amount as the Central Government may by notification specify:

Provided also that the policyholders in favour of whom reservation is made under this sub-section may be offered shares at a price not lower than by more than ten per cent. of the price at which net offer to public is made to other categories of applicants;

(*b*) regarding ineligibility for computation of minimum promoter's contribution, in relation to a public issue by way of an initial public offer, all equity shares of the Corporation held by the Central Government, including all shares acquired during the period of three years preceding the opening of such public offer, resulting from a bonus issue or otherwise, shall be eligible for such computation;

(*c*) requiring the holding of paid-up equity shares by the sellers for a minimum holding period as a condition for offering such shares for sale to the public, in relation to a public issue by way of an initial public offer, all fully paid-up equity shares of the Corporation held by the Central Government shall be eligible for such an offer for sale:

Provided that and subject to any regulation made by the Securities and Exchange Board, no shares issued by the Corporation against revaluation of assets or by utilisation of revaluation reserves or from unrealised profits shall be eligible for computation of minimum promoter's contribution and for offer for sale in relation to a public issue by way of initial public offer.

Explanation.—Words and expressions used in this sub-section but not defined either in this Act or in the Insurance Act or in the Companies Act shall have the meanings respectively assigned to them in regulations made by the Securities and Exchange Board regarding issue of capital and disclosure requirements, to the extent not repugnant with the provisions of this Act.

(*10*) The Corporation may issue other securities, including bonds, debentures, notes, commercial paper and other debt instruments, for the purpose of raising funds to meet its business requirements.

5A. Transferability of shares.—(*1*) Save as otherwise provided in sub-sections (*2*) and (*3*), the shares of the Corporation shall be freely transferable:

Provided that any arrangement between two or more persons in respect of transfer of shares shall be enforceable as a contract.

(*2*) Nothing contained in sub-section (*1*) shall entitle the Central Government to transfer any shares held by it in the Corporation, if as a result of such transfer, the shares held by it, on a fully diluted basis, shall reduce to less than fifty-one per cent. of the issued equity share capital of the Corporation.

(*3*) No person, other than the Central Government, acting individually or with persons acting in concert with such person, or constituents of a group, shall hold equity share in excess of five per cent. of issued equity share capital of the Corporation, or such higher percentage as the Central Government may by notification specify.

Explanation.—For the purposes of this section,—

(*a*) the expression "group" shall have the meaning assigned to it in the Competition Act, 2002 (12 of 2003);

(*b*) the expression "persons acting in concert" shall have the meaning assigned to it in regulations made by the Securities and Exchange Board regarding substantial acquisition of shares and takeovers.

5B. Register of members, etc.—(*1*) The Corporation shall keep and maintain the following registers, in such form and in such manner as may be specified by regulations, namely:—

(*a*) register of members, indicating separately each class of equity and preference shares held by each member residing in or outside India;

(*b*) register of debenture-holders; and

(*c*) register of any other security holders.

(*2*) Every register maintained under sub-section (*1*) shall include an index of the names included therein.

(*3*) The register and index of beneficial owners maintained by a depository under section 11 of the Depositories Act, 1996 (22 of 1996) shall be deemed to be the corresponding register and index for the purposes of this Act.

(*4*) No notice of any trust, whether express or implied or constructive, shall be entered on the register of members or be receivable by the Corporation:

Provided that nothing in this section shall apply to a depository in respect of shares held by it as a registered owner on behalf of the beneficial owners.

Explanation.—For the purposes of this section and section 5C, the expressions "beneficial owner", "depository" and "registered owner" shall have the meanings respectively assigned to them in clauses (*a*), (*e*) and (*j*) of sub-section (*1*) of section 2 of the Depositories Act, 1996 (22 of 1996).

5C. Declaration in respect of beneficial interest in shares.—(*1*) Where the name of a person is entered on the register of members of the Corporation as the holder of shares in the Corporation but he does not hold beneficial interest in such shares, such person shall make, within such time and in such form as may be prescribed for a company under section 89 of the Companies Act, a declaration to the Corporation specifying the name and other particulars of the person who holds beneficial interest in such shares.

(*2*) Every person who holds or acquires a beneficial interest in shares of the Corporation shall make, within such time and in such form as may be prescribed for a company under section 89 of the Companies Act, a declaration to the Corporation specifying the nature of his interest, particulars of the person in whose name the share stands registered in the books of the Corporation and such other particulars as may be prescribed under the said section.

(*3*) Where any change occurs in the beneficial interest in shares of the Corporation, the person referred to in sub-section (*1*) and the beneficial owner specified in sub-section (*2*) shall, within a period of thirty days from the date of such change, make a declaration to the Corporation in such form and containing such particulars as may be prescribed for a company under section 89 of the Companies Act.

(*4*) No right in relation to any share in respect of which a declaration is required to be made under this section but has not been made by the beneficial owner, shall be enforceable by him or by any person claiming through him.

(*5*) For the purposes of this section, beneficial interest in a share includes, directly or indirectly, through any contract, arrangement or otherwise, the right or entitlement of a person alone or together with any other person to—

(*a*) exercise or cause to be exercised any or all of the rights attached to such share; or

(*b*) receive or participate in any dividend or other distribution in respect of such share.

(*6*) Every individual who, acting alone or together or through one or more persons, holds beneficial interests, of not less than twenty-five per cent. or such other percentage as may be prescribed for a company under section 90 of the Companies Act, in the shares of the Corporation or the right to exercise, or the actual exercising of significant influence or control as defined in clause (*27*) of section 2 of the Companies Act, over the Corporation (herein referred to as "significant beneficial owner"), shall make a declaration to the Corporation, specifying the nature of his interest and other particulars, in such manner and within such period of acquisition of the beneficial interest or rights and any change thereof, as may be prescribed for a company under section 90 of the Companies Act.

(*7*) The Corporation shall maintain a register of the interest declared by individuals under sub-section (*6*) and changes therein, which shall include the name of individual, his date of birth, address, details of ownership in the Corporation and such other details as may be prescribed for a company under section 90 of the Companies Act.

5D. Shares to be securities.—Notwithstanding anything contained in the Securities Contracts (Regulation) Act, 1956 (42 of 1956) or any other law for the time being in force, the shares of the Corporation shall be deemed to be securities as defined under the said Act.

5E. Right of registered members to nominate.—(*1*) Every individual registered member may, at any time, nominate, in such manner as may be specified by regulations, an individual to whom all his rights in the shares shall vest in the event of death of such member.

(*2*) Where the shares are registered in the name of more than one individual jointly, the joint holders may together nominate, in such manner as may be specified by regulations, an individual to whom all their rights in the shares shall vest in the event of the death of all such joint holders.

(*3*) Notwithstanding anything contained in any other law for time being in force or in any disposition, whether testamentary or otherwise, where a nomination in respect of shares is made and which purports to confer on the nominee the right to vest the shares, the nominee shall, on the death of the member or, as the case may be, on the death of all the joint holders, become entitled to all the rights of the member or, as the case may be, of all the joint holders, in relation to such shares, and all other persons shall be excluded unless the nomination has been varied or cancelled before death in such manner as may be specified by regulations.

(*4*) Where the nominee is a minor, it shall be lawful for the individual registered holder of the shares to make nomination to appoint, in such manner as may be specified by regulations, any person to become entitled to the shares in the event of his death during the minority of the nominee.]

CHAPTER III

FUNCTIONS OF THE CORPORATION

6. Functions of the Corporation.—(*1*) Subject to the rules, if any, made by the Central Government in this behalf, it shall be the general duty of the Corporation to carry on life insurance business, whether in or outside India, and the Corporation shall so exercise its powers under this Act as to secure that life insurance business is developed to the best advantage of the community.

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

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

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

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

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

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

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

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

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

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

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

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

(*2*) Where any arrangement entered into by the Corporation under section 6 with any concern provides for the appointment by the Corporation of one or more directors of such concern, such provision and any appointment of directors made in pursuance thereof shall be valid and effective notwithstanding anything to the contrary contained in the [2][Companies Act, 2013 (18 of 2013)], or in any other law for the time being in force or in the memorandum, articles of association or any other instrument relating to the concern, and any provision regarding share, qualification, age limit, number of director-ships, removal

1. Ins. by Act 52 of 1975, s. 41 (w.e.f. 16-2-1976).

2. Subs. by Act 40 of 2025, s. 78, for "Companies Act, 1956 (1 of 1956)" (w.e.f. 5-2-2026).

from office of directors and such like conditions contained in any such law or instrument aforesaid, shall not apply to any director appointed by the Corporation in pursuance of the arrangement as aforesaid.

(*3*) Any director appointed as aforesaid shall—

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

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

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

CHAPTER IV

TRANSFER OF EXISTING LIFE INSURANCE BUSINESS TO THE CORPORATION

7. Transfer of assets and liabilities of existing insurers carrying on controlled business.—(*1*) On the appointed day there shall be transferred to and vested in the Corporation all the assets and liabilities appertaining to the controlled business of all insurers.

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

Explanation.—The expression "assets appertaining to the controlled business of an insurer"—

(*a*) in relation to a composite insurer, includes that part of the paid-up capital of the insurer or assets representing such part which has or have been allocated to the controlled business of the insurer in accordance with the rules made in this behalf;

(*b*) in relation to a Government, means the amount lying to the credit of that business on the appointed day.

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

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

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

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

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

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

(*2*) If on the appointed day any suit, appeal or other legal proceeding of whatever nature is pending by or against an insurer, then, in so far as it relates to his controlled business, it shall not abate, be

discontinued or be in any way prejudicially affected by reason of the transfer to the Corporation of the business of the insurer or anything done under this Act, but the suit, appeal or other proceeding may be continued, prosecuted and enforced by or against the Corporation.

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

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

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

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

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

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

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

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

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

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

(*4*) Where at any time before the expiration of six months from the appointed day a question has arisen under this section or under any rules made thereunder as to whether any property is or was held or used by the insurer for the purposes of his controlled business, the question shall be referred to the Tribunal for decision.

11. Transfer of service of existing employees of insurers to the Corporation.—(*1*) Every whole-time employee of an insurer whose controlled business has been transferred to and vested in the Corporation and who was employed by the insurer wholly or mainly in connection with his controlled business immediately before the appointed day shall, on and from the appointed day, become an employee of the Corporation, and shall hold his office therein by the same tenure, at the same remuneration and upon the same terms and conditions and with the same rights and privileges as to pension and gratuity and other matters as he would have held the same on the appointed day if this Act had not been passed, and shall continue to do so unless and until his employment in the Corporation is terminated or until his remuneration, terms and conditions are duly altered by the Corporation:

Provided that nothing contained in this sub-section shall apply to any such employee who has, by notice in writing given to the Central Government prior to the appointed day, intimated his intention of not becoming an employee of the Corporation.

[1][(*2*) Where the Central Government is satisfied that for the purpose of securing uniformity in the scales of remuneration and the other terms and conditions of service applicable to employees of insurers whose controlled business has been transferred to, and [2][vested in the Corporation], it is necessary so to do, or that, in the interests of the Corporation and its policy-holders, a reduction in the remuneration payable, or a revision of the other terms and conditions of service applicable, to employees or any class of them is called for, the Central Government may, notwithstanding anything contained in sub-section (*1*), or in the Industrial Disputes Act, 1947 (14 of 1947), or in any other law for the time being in force, or in any award, settlement or agreement for the time being in force, alter (whether by way of reduction or otherwise) the remuneration and the other terms and conditions of service to such extent and in such manner as it thinks fit; and if the alteration is not acceptable to any employee, the Corporation may terminate his employment by giving him compensation equivalent to three months, remuneration unless the contract of service with such employee provides for a shorter notice of termination.

Explanation.—The compensation payable to an employee under this sub-section shall be in addition to, and shall not affect, any pension, gratuity, provident fund money or any other benefit to which the employee may be entitled under his contract of service.]

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

(*4*) Notwithstanding anything contained in the Industrial Disputes Act, 1947 (14 of 1947), or in any other law for the time being in force, the transfer of the services of any employee of an insurer to the Corporation shall not entitle any such employee to any compensation under that Act or other law, and no such claim shall be entertained by any court, tribunal or other authority.

12. Transfer of services of existing employees of chief agents of insurers to the Corporation in certain cases.—Subject to such rules as the Central Government may make in this behalf, every whole-time salaried employee of a chief agent of an insurer whose controlled business has been transferred to and vested in the Corporation and,—

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

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

(*c*) who was in the employment of the chief agent for a continuous period of not less than one year immediately before the appointed day;

1. Subs. by Act 17 of 1957, s. 2, for sub-section (*2*) (w.e.f. 6-6-1957).

2. Subs. by Act 36 of 1957, s. 2 and Sch. I, for "vested in it" (w.e.f. 17-9-1957).

shall, on and from the appointed day, become, an employee of the Corporation and the provisions of section 11 shall, so far as may be, apply in relation to such employee as they apply in relation to a whole-time employee of the insurer:

Provided that this section shall not apply except in cases where the chief agent of the insurer was required under the terms of his contract with the insurer to render the prescribed services to policy holders of the insurer.

Explanation.—In the case of a whole-time salaried employee of a chief agent who has been retrenched by the chief agent on or after the 19th day of January, 1956, the provisions of this section shall apply as if for the words 'the appointed day' the words and figures 'the 19th day of January, 1956' had been substituted.

13. Duty to deliver possession of property and documents relating thereto.—(*1*) Where any property appertaining to the controlled business of an insurer has been transferred to and vested in the Corporation under this Act, then,—

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

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

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

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

14. Power of Corporation to modify contracts of life insurance in certain cases.—The Corporation may, having regard to the financial condition on the appointed day of any insurer whose controlled business has been transferred to an vested in the Corporation, reduce the amounts of insurance under contracts of life insurance entered into by such insurer before the 19th day of January, 1956, in such manner and subject to such conditions as it thinks fit:

Provided that no such reduction shall be made except in accordance with a scheme prepared by the Corporation in this behalf and approved by the Central Government.

15. Right of Corporation to seek relief in respect of certain transactions of the insurer.—(*1*) Where an insurer whose controlled business has been transferred to and vested in the Corporation under this Act has, at any time within five years before the 19th day of January, 1956,—

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

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

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

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

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

(*f*) if a composite insurer, transferred any property from his life department to his general department without consideration or for an inadequate consideration;

and the payment, sale, disposal, acquisition, agreement or variation thereof or other transaction or transfer was not reasonably necessary for the purpose of the controlled business of the insurer or was made with an unreasonable lack of prudence on the part of the insurer, regard being had in either case to the circumstances at the time, the Corporation may apply for relief to the Tribunal in respect of such transaction, and all parties to the transaction shall, unless the Tribunal otherwise directs, be made parties to the application.

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

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

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

(*2*) The amount of the compensation to be given in accordance with the aforesaid principles shall be determined by the Corporation in the first instance, and if the amount so determined is approved by the Central Government it shall be offered to the insurer in full satisfaction of the compensation payable to him under this Act, and if, on the other hand, the amount so offered is not acceptable to the insurer he may within such time as may be prescribed for the purpose have the matter referred to the Tribunal for decision.

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

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

(*3*) Every Tribunal shall have the powers of a civil court while trying a suit under the Code of Civil Procedure, 1908 (5 of 1908), in respect of the following matters:—

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

(*b*) requiring the discovery and production of documents;

(*c*) receiving evidence on affidavits;

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

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

CHAPTER V

MANAGEMENT

18. Offices, branches and agencies.—(*1*) The central office of the Corporation shall be at such place as the Central Government may, by notification in the Official Gazette, specify.

1[(*2*) The Corporation shall establish zonal offices at Mumbai, Kolkata, Delhi, Kanpur and Chennai, and may establish such other zonal offices as it thinks fit.]

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

2[(*4*) There may be established as many divisional offices and branches in each zone as may be decided by the Corporation in accordance with the guidelines issued by the Insurance Regulatory and Development Authority established under the Insurance Regulatory and Development Authority Act, 1999 (41 of 1999) in this regard.]

1. Subs. by Act 40 of 2025, s. 79, for sub-section (*2*) (w.e.f. 5-2-2026).
2. Subs. by Act 8 of 2012, s. 3, for sub-section (*4*) (w.e.f. 31-3-2012).

1[**19. Executive Committee**.—(*1*) The Board may constitute an Executive Committee of the Board, consisting of—

(*i*) the Chief Executive;

(*ii*) Managing Directors;

(*iii*) the director referred to in clause (*d*) of sub-section (*2*) of section 4; and

(*iv*) four directors nominated by the Board from amongst the directors referred to in clauses (*e*), (*f*) and (*g*) of sub-section (*2*) of section 4.

(*2*) The Executive Committee of the Board shall exercise such powers as the Board may entrust to it.

19A. Investment Committee.—The Board may, for such functions relating to investment of the funds of the Corporation as the Board may entrust, constitute an Investment Committee of the Board, consisting of the Chief Executive and not more than seven other directors, of which a minimum two shall be directors other than directors appointed under clause (*a*) or clause (*b*) of sub-section (*2*) of section 4:

Provided that the officers of the Corporation heading the functions dealing with finance, risk, investment and law as well as its Appointed Actuary shall be invited to every meeting of the Committee and shall have a right to be heard at the meeting.

Explanation.—For the purposes of this section and section 24B, "Appointed Actuary" means the actuary appointed as such by the Corporation under the regulations made by the Authority under the Insurance Act regarding appointed actuaries.

19B. Nomination and Remuneration Committee.—(*1*) The Board shall constitute a Nomination and Remuneration Committee of the Board, consisting of three or more directors from amongst directors other than those appointed either under sub-clause (*i*) of clause (*a*) or under clause (*b*) or under clause (*c*) of sub-section (*2*) of section 4, out of whom not less than one-half shall be independent directors at any time when the number of independent directors in office is sufficient to constitute such proportion of the membership of the Committee:

Provided that the Chairperson may be appointed as a member of the Nomination and Remuneration Committee but shall not chair the Committee:

Provided further that in the event of the Corporation applying to list its equity shares under any regulation made by the Securities and Exchange Board in this behalf, the Corporation shall ensure that the proportion of independent directors on the Nomination and Remuneration Committee shall be in accordance with the requirements as provided under those regulations.

(*2*) The Nomination and Remuneration Committee shall—

(*i*) formulate the criteria for determining qualifications, positive attributes and independence of a director to be appointed under clause (*e*) or clause (*f*) or clause (*g*) of sub-section (*2*) of section 4 and recommend the same to the Board;

(*ii*) in accordance with the criteria referred to in clause (*i*), identify individuals who are qualified to be appointed as such a director:

Provided that while identifying individuals, the Committee shall have due regard to the requirements under the proviso to sub-section (*1*) of section 19C;

(*iii*) give its recommendations to the Board regarding appointment and removal of such an individual, and carry out evaluation of his performance; and

1. Subs. by Act 13 of 2021, s. 132, for s. 19 (w.e.f. 30-6-2021).

(*iv*) recommend to the Board a policy relating to the sum payable as sitting fees to a director nominated or appointed under clauses (*e*) or (*f*) or (*g*) of sub-section (*2*) of section 4, subject to such fees not exceeding such limit as may apply in respect of sitting fees payable to a director of a company under the Companies Act.

19C. Audit Committee.—(*1*) The Board shall constitute an Audit Committee of the Board, consisting of a minimum of three directors with independent directors

forming a majority when the number of independent directors in office is sufficient to constitute such proportion of the membership of the Audit Committee:

Provided that a majority of directors on the Audit Committee, including its chairperson, shall be individuals with ability to read and understand financial statements and at least one individual shall have accounting or related financial management expertise:

Provided further that in the event of the Corporation applying to list its equity shares under any regulation made by the Securities and Exchange Board in this behalf, the Corporation shall ensure that the proportion of independent directors on the Audit Committee shall be in accordance with the requirements as provided under those regulations.

(*2*) The Audit Committee shall act in accordance with the terms of reference specified by the Board, which shall include, *interalia*,—

(*a*) recommendations for appointment, remuneration and terms of appointment of the auditors of the Corporation;

(*b*) review and monitoring of the independence and performance of the auditors, and the effectiveness of the audit process;

(*c*) examination of financial statements and auditor's report thereon;

(*d*) prior approval of transactions of the Corporation with related parties:

Provided that the Audit Committee may make omnibus approval for related party transactions proposed to be entered into by the Corporation subject to the conditions specified in sub-section (*3*):

Provided further that in case of transaction other than transactions referred to in section 4C, and where the Audit Committee does not approve a transaction, it shall make its recommendations to the Board:

Provided also that in case any transaction involving any amount not exceeding one crore rupees is entered into by a director or an officer of the Corporation without obtaining the approval of the Audit Committee and it is not ratified by the Audit Committee within three months from the date of the transaction, such transaction shall be voidable at the option of the Corporation with the approval of the Audit Committee and if the transaction is with the related party to any director or is authorised by any other director, the director concerned shall indemnify the Corporation against any loss incurred by it;

(*e*) scrutiny of inter-corporate loans and investments;

(*f*) valuation of undertakings or assets of the Corporation, wherever it is necessary;

(*g*) evaluation of internal financial controls and risk management systems;

(*h*) monitoring the end use of funds raised through public offers, and related matters.

(*3*) The Audit Committee may grant omnibus approval for related party transactions proposed to be entered into by the Corporation, subject to the following conditions, namely:—

(*a*) the Audit Committee shall lay down the criteria for granting omnibus approval in line with the policy referred to in sub-section (*2*) of section 4C including in respect of transactions which are repetitive in nature;

(*b*) the Audit Committee shall satisfy itself that omnibus approval is needed and that such approval is in the interest of the Corporation;

(*c*) the omnibus approval shall specify the following, namely:—

(*i*) the details regarding the name of the related party and the nature, period and the maximum amount of the transactions that shall be entered into;

(*ii*) the details regarding indicative base price or current contracted price, along with the formula, if any, for variation in the price; and

(*iii*) such other conditions as the Audit Committee may deem fit:

Provided that where the need for related party transaction cannot be foreseen and the said details are not available, the Audit Committee may grant omnibus approval for such transactions subject to their value not exceeding one crore rupees per transaction;

(*d*) the Audit Committee shall review on a quarterly basis, the details of related party transactions entered into by the Corporation pursuant to every omnibus approval given; and

(*e*) omnibus approval shall be valid for a period not exceeding one year and shall require fresh approval after expiry of one year.

(*4*) The Audit Committee may call for the comments of the auditors about internal control systems, the scope of audit including the observations of the auditors, and review of financial statements before their submission to the Board, and may also discuss any related issues with the auditors and the management of the Corporation.

(*5*) The Audit Committee shall have authority to investigate any matter in relation to the items specified in sub-section (*2*) or referred to it by the Board and, for this purpose, shall have the power to obtain professional advice from external sources and have full access to information contained in the records of the Corporation.

(*6*) The auditors of the Corporation and such key managerial personnel as the Board may specify shall have a right to be heard in the meetings of the Audit Committee when it considers the auditor's report.

19D. Other Committees.—The Board may constitute such other Committees of the Board as it may deem fit, to render advice to the Board on such matters as may be generally or specially referred to them, and to perform such duties as the Board may entrust to them.]

[1]**[20. Chief Executive and Managing Directors.—**(*1*) The Chief Executive shall, subject to the superintendence, control and direction of the Board, be entrusted with substantial powers of management in respect of the whole of the affairs of the Corporation.

(*2*) The Chief Executive shall also perform such other duties in relation to the affairs of the Corporation as the Board may entrust to him from time to time and shall, for this purpose, exercise such powers as may be conferred upon him by the Board:

Provided that the Board may also empower the Chief Executive to entrust or delegate such of his duties and powers, as it may deem fit.

(*3*) Every Managing Director, subject to the general control of the Chief Executive, shall perform such duties and exercise such powers as may be entrusted or delegated to him by the Board or, under sub-section (*2*), by the Chief Executive.]

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

22. Zonal Managers.—(*1*) The Corporation may entrust the superintendence and direction of the affairs and business of a zonal office to [2][an employee of the Corporation other than a whole-time director], who shall be known as the Zonal Manager and the Zonal Manager shall perform all such functions of the Corporation as may be delegated to him with respect to the area within the jurisdiction of the zonal office.

1. Subs. by Act 13 of 2021, s. 133, for s. 20 (w.e.f. 30-6-2021).

2. Subs. by s. 134, *ibid*., for "a person whether a member or not" (w.e.f. 30-6-2021).

[1]* * * * *

(*3*) The Corporation shall constitute [2]*** for each zonal office an Employees and Agents Relations Committee consisting of such number o every such Committee shall consist of

representatives of the Corporation and of its employees and agents, so however, that the number of representatives of the employees and agents on the Committee shall not be less than the number of representatives of the Corporation and it shall be duty of the Committee to advise the Zonal Manager on matters which relate to the welfare of the employees and agents of the Corporation or which are likely to promote and secure amity and good relations between them and the Corporation.

23. Staff of the Corporation.—(*1*) For the purpose of enabling it to discharge its functions under this Act, the Corporation may employ such number of persons as it thinks fit.

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

[3][**23A. Annual general meeting and other general meetings.**—(*1*) An annual general meeting or other general meeting of members shall be held in each financial year at such time as the Board may specify, at the central office of the Corporation or at such other place in India as the Central Government may permit on the recommendations of the Board:

Provided that not more than fifteen months shall elapse between the date of one annual general meeting of the Corporation and that of the next:

Provided further that notwithstanding anything contained in this section, general meeting shall be held only when the Corporation has members other than the Central Government who are entitled to vote:

Provided also that until the first annual general meeting or other general meeting is held, the Board shall perform all the functions required to be performed in such meeting.

(*2*) The members present at an annual general meeting shall be entitled to—

(*a*) discuss the financial statements of the Corporation as referred to in section 24B and the auditor's report as referred to in section 25B, which shall be accompanied by the report of the Board as referred to in section 24C, and to adopt the financial statements, along with all the documents which are required to be attached to such financial statements under this Act;

(*b*) discuss and adopt the Annual Report prepared under section 27;

(*c*) approve a declaration of dividend under sub-section (*1*) of section 28B;

(*d*) approve the appointment of directors under sub-section (*4*) of section 4;

(*e*) approve the appointment of auditors under sub-sections (*1*) and (*4*) of section 25 and fix their remuneration under sub-section (*7*) of section 25.

(*3*) Every member shall be entitled to attend a general meeting, whether in person or by proxy or by duly authorised representative:

Provided that every director shall also be entitled to attend a general meeting, whether in person or through electronic means:

Provided further that all notices of, and other communications relating to, any general meeting shall be forwarded to the auditor appointed for the Corporation, and such auditor shall, unless exempted by the Corporation, attend any general meeting either in person or through authorised representative who is

1. Sub-section (*2*) omitted by Act 13 of 2021, s. 134 (w.e.f. 30-6-2021).

2. The words "in the prescribed manner" omitted by Act 40 of 2025, s. 80 (w.e.f. 5-2-2026).

3. Ins. by Act 13 of 2021, s. 135 (w.e.f. 30-6-2021).

qualified to be an auditor, and shall have the right to be heard at such meeting on any part of the business which concerns him as the auditor.

(*4*) A member who is entitled to vote may exercise his vote at a general meeting in person or by proxy or by duly authorised representative.

(*5*) Persons entitled to attend and to exercise vote at a general meeting may also do so through electronic means, and the manner of attendance and exercise of vote shall be such as may be prescribed.

(*6*) No business other than that specified in sub-section (*2*) shall be transacted or discussed at the annual general meeting, except with the unless not less than six weeks' notice

of the same has been given to the Chairperson either by the Central Government or by at least hundred members who have the right to vote at the meeting:

Provided that such a notice shall be in the form of a definite resolution to be put to the meeting, and that such resolution shall be included in the notice of the meeting.

(*7*) Save and except with the consent of the Chairperson, no business other than that for which a general meeting has been convened shall be transacted or discussed at the meeting.

(*8*) No general meeting shall be proceeded with and no business shall be transacted at any general meeting unless members constitute such quorum as may be prescribed:

Provided that where a meeting could not be held for want of quorum, it may be adjourned and held in such manner as may be prescribed.

(*9*) The Corporation shall cause the minutes of all proceedings of general meetings to be entered in books kept for that purpose.]

CHAPTER VI

FINANCE, ACCOUNTS AND AUDIT

[1][**24. Funds of the Corporation.—**(*1*) The Corporation shall have its own fund or funds, and all receipts of the Corporation shall be credited thereto and all payments of the Corporation shall be made therefrom:

Provided that the Board may, in relation to any of the funds of the Corporation or otherwise, establish reserves which may or may not be allocated for a specific purpose, and such sums as the Board may determine, may be transferred to or from such reserves.

(*2*) The Board shall, for every financial year after the financial year in which the provisions of section 136 of the Finance Act, 2021 come into force, cause to be maintained—

(*a*) a participating policyholders fund, to which all receipts from participating policyholders shall be credited and from which all payments to such policyholders shall be made; and

(*b*) a non-participating policyholders fund, to which all receipts from non-participating policyholders shall be credited and from which all payments to such policyholders shall be made:

Provided that the members, by resolution in a general meeting, may exempt maintenance of such funds for one financial year at a time up to two financial years.

[2][(*3*) Where a branch or office of the Corporation is situated in a country outside India, the funds of such branch or office shall be maintained in accordance with the laws of that country.]

24A. Books of account, etc.—(*1*) The Corporation shall prepare and keep at its central office books of account and other relevant books and records and financial statement for every financial year which give a true and fair view of the state of its affairs, including that of its zonal offices, and which explain the transactions effected both at the central office and at its zonal offices.

1. Subs. by Act 13 of 2021, s. 136, for s. 24 (w.e.f. 30-6-2021).
2. Ins. by Act 40 of 2025, s. 81 (w.e.f. 5-2-2026).

(*2*) The Corporation shall prepare and keep at each zonal office of the Corporation, books of account and other relevant books and records and financial statement for every financial year which give a true and fair view of the state of affairs of every divisional office established in the zone corresponding to such zonal office and which explain the transactions effected thereat.

(*3*) The Corporation shall prepare and keep at each divisional office of the Corporation, books of account and other relevant books and records and financial statement for every financial year which give a true and fair view of the state of affairs of every branch established under such divisional office and which explain the transactions effected thereat.

(*4*) All or any of the books of account and other relevant books and records referred to in sub-section (*1*) or sub-section (*2*) or sub-section (*3*) may be kept at such other place or places in India as the Board may decide.

(*5*) The Corporation shall be deemed to have complied with the provisions of sub-section (*1*) or sub-section (*2*) or sub-section (*3*), in respect of a zonal office or a divisional office, other than the central office, or a branch of the Corporation, whether within or outside India, if proper books of account relating to the transactions effected at such office or branch, are kept thereat and proper summarised returns are sent periodically to the central office or the corresponding zonal office or the corresponding divisional office, or to the other place referred to in sub-section (*4*).

(*6*) The books of account and other relevant books and records referred to in sub-section (*1*) or sub-section (*2*) or sub-section (*3*) may be kept in electronic form, in such manner as the Board may determine.

(*7*) The books of account of the Corporation relating to a period of not less than ten financial years immediately preceding a financial year, together with the vouchers relevant to any entry in such books of account, shall be kept in good order:

Provided that where the Central Government has appointed a special auditor under section 25D or is of the opinion that circumstances exist which render it necessary so to do, it may direct the Corporation that the books of account be kept for such longer period as the Central Government may specify.

24B. Financial statements.—(*1*) The financial statements of the Corporation shall give a true and fair view of the state of affairs of the Corporation and shall be in conformity with applicable accounting requirements as may be applicable for such financial statements:

Provided that the financial statements shall not be treated as not disclosing a true and fair view of the state of affairs of the Corporation, merely by reason of the fact that they do not disclose any matters which are not required to be disclosed by this Act or by the Insurance Act or by the Insurance Regulatory and Development Authority Act, 1999 (42 of 1999) or by any other law for the time being in force.

(*2*) At every annual general meeting, the Board shall place before such meeting financial statements for the preceding financial year.

(*3*) The Corporation shall, in addition to financial statements provided under sub-section (*2*), prepare a consolidated financial statement of the Corporation in conformity with the requirements referred to in sub-section (*1*), and shall place the same before the annual general meeting, along with the placing of its financial statements under sub-section (*2*):

Provided that the Corporation shall also attach along with its financial statements, a separate statement containing the salient features of the consolidated financial statement.

(*4*) The provisions of this Act applicable to financial statements under sub-section (*1*) and under section 24C, the inquiry by the auditor into matters referred to in and making of the auditor's report on accounts under section 25B, and adoption of financial statements under section 23A at the annual general meeting, shall, *mutatis mutandis*, apply to the consolidated financial statement referred to in sub-section (*3*).

(*5*) Without prejudice to anything contained in sub-section (*1*) or sub-section (*3*), where the financial statements are not in conformity with the standards applicable thereto, the Corporation shall disclose in the financial statements the deviation from applicable standards, the reasons therefor and the financial effects, if any, arising out of such deviation.

(*6*) Financial statements including consolidated financial statement, if any, shall be approved by the Board before they are signed on behalf of the Board by two whole-time directors, one director other than a whole-time director, the heads of the finance and secretarial functions of the Corporation and its Appointed Actuary, for submission to the auditor for his report thereon.

(*7*) The auditor's report shall be attached to every financial statement.

(*8*) A signed copy of every financial statement, including consolidated financial statement, if any, shall be issued, circulated or published, along with a copy each of—

(*a*) any notes annexed to or forming part of such financial statement;

(*b*) the auditor's report; and

(*c*) the Board's report referred to in sub-section (*1*) of section 24C.

24C. Board's report.—(*1*) There shall be attached to financial statements placed before general meeting, a report by the Board, which shall include—

(*a*) number of meetings of the Board;

(*b*) a Directors' Responsibility Statement;

(*c*) details in respect of frauds reported by auditors;

(*d*) a statement on declarations given by independent directors under the second proviso to sub-section (*3*) of section 4;

(*e*) the Corporation's policy on directors' appointment, including the criteria for determining qualifications, positive attributes and independence of a director, which are referred to in section 19B;

(*f*) explanations or comments by the Board on every qualification, reservation or adverse remark or disclaimer made in the auditor's report;

(*g*) particulars in respect of investments in terms of the provisions of section 27A of the Insurance Act as made applicable to the Corporation by notification issued under sub-section (*2*) of section 43;

(*h*) particulars of contracts or arrangements with related parties, referred to in sub-section (*1*) of section 4C;

(*i*) the state of the Corporation's affairs;

(*j*) the amounts, if any, which are carried to any reserves;

(*k*) the amount, if any, which it recommends should be paid by way of dividend;

(*l*) material changes and commitments, if any, affecting the financial position of the Corporation, which have occurred between the end of the financial year to which the financial statements relate and the date of the report;

(*m*) a statement indicating the manner in which annual evaluation of the performance of individual directors has been made under section 19B;

(*n*) such other matters as may be prescribed:

Provided that where disclosures referred to in this sub-section have been included in the financial statements, such disclosures may be referred to instead of being repeated in the Board's report:

Provided further that where the policy referred to in clause (*e*) is made available on the Corporation's website, it shall be sufficient compliance of the requirement under the said clause if the salient features of the policy and any changes therein are specified in brief in the Board's report and the web-address at which the policy is available is indicated therein.

(*2*) The Directors' Responsibility Statement referred to in clause (*b*) of sub-section (*1*) shall state that—

(*a*) in the preparation of the annual accounts, the requirements referred to in section 24B were followed, along with proper explanation relating to material departures;

(*b*) accounting policies were selected and applied consistently and the judgments made and estimates were reasonable and prudent, so as to give a true and fair view of the state of affairs of the Corporation at the end of the financial year and of the profit and loss of the Corporation for that period;

(*c*) proper and sufficient care for the maintenance of adequate accounting records was taken in accordance with the provisions of this Act for safeguarding the assets of the Corporation and for preventing and detecting fraud and other irregularities;

(*d*) the annual accounts were prepared on a going concern basis;

(*e*) the vigilance administration referred to in clause (*h*) of sub-section (*1*) of section 8 of the Central Vigilance Commission Act, 2003 (45 of 2003) was in operation in the Corporation under the superintendence of the Central Vigilance Commission, and in addition, internal financial controls to be followed by the Corporation had been laid down and were operating effectively; and

(*f*) proper systems were devised to ensure compliance with the provisions of applicable laws and were operating effectively.

Explanation.—For the purposes of this sub-section, the expression "internal financial controls" means the policies and procedures adopted for ensuring the orderly and efficient conduct of the Corporation's business, including adherence to its policies, safeguarding of its assets, prevention and detection of errors, accuracy and completeness of accounting records, and timely preparation of reliable financial information.

(*3*) The Board's report and any annexures thereto under sub-section (*1*) shall be signed on behalf of the Board by two whole-time directors and one director other than a whole-time director.

24D. Penalties.—If the Chief Executive or the Managing Director in charge of finance or the head of the finance function of the Corporation or any other person of the Corporation charged by the Board with the duty of complying with the provisions of section 24A or section 24B or section 24C contravenes any of the said provisions, such Chief Executive or Managing Director or head of finance function or other person shall, for each section whose provisions have been contravened, be liable to pay penalty of a sum which shall not be less than fifty thousand rupees but which may extend to five lakh rupees.]

[1]**[25. Appointment of auditors.—**(*1*) The Corporation shall, at its first annual general meeting, appoint as many auditors (which may be individual or firm) as it deems fit, and such auditor shall hold office from the conclusion of that meeting till the conclusion of its sixth annual general meeting thereafter, and shall similarly appoint auditor for subsequent periods of five years at a time, and the manner and procedure of selection of auditors by the members at such a meeting shall be such as may be prescribed:

Provided that before such appointment is made, the written consent of the auditor to such appointment, and a certificate from the auditor that the appointment, if made, shall be in accordance with such conditions as may be prescribed, shall be obtained from the auditor:

Provided further that such certificate shall also declare that the auditor satisfies the criteria provided for eligibility for appointment as an auditor of a company under section 141 of the Companies Act.

(*2*) The Corporation shall not appoint an auditor for more than one term of five consecutive years:

Provided that an auditor who has completed the term of appointment shall not be eligible for re-appointment or for fresh appointment as auditor for a period of five years from such completion:

1. Subs. by Act 13 of 2021, s. 137, for section 25 (w.e.f. 30-6-2021).

Provided further that no audit firm shall be appointed as auditor for a period of five years which, if appointed, as on the date of its appointment, would have a common partner or partners with the audit firm whose term as auditor in the Corporation had expired in the financial year immediately preceding the financial year in which fresh appointment is to be made, or which is associated with the same network of audit firms as the audit firm whose term had expired as aforesaid:

Provided also that nothing contained in this sub-section shall prejudice the right of the Corporation to remove an auditor or the right of the auditor to resign from such office of the Corporation.

Explanation.—For the purposes of this sub-section, the expression "same network" includes firms operating or functioning under a common brand name or trade name, or under common control, or which

are network firms as defined under any guidelines for networking issued by the Institute of Chartered Accountants of India, constituted under section 3 of the Chartered Accountants Act, 1949 (38 of 1949).

(*3*) Subject to the provisions of this Act, the Corporation may resolve in a general meeting to provide that—

(*a*) in the audit firm appointed by it, the auditing partner and his team shall be rotated at such intervals as may be resolved by members;

(*b*) the audit shall be conducted by more than one auditor.

(*4*) Any casual vacancy in the office of an auditor shall be filled by the Board within thirty days, but if such casual vacancy is as a result of the resignation of an auditor, such appointment shall also be approved by the Corporation in a general meeting convened within three months of the Board making recommendations in this behalf, and the auditor so appointed shall hold office till the conclusion of the next annual general meeting.

(*5*) Where at any annual general meeting, no auditor is appointed, the existing auditor shall continue to be the auditor of the Corporation.

(*6*) All appointments, including the filling of a casual vacancy of an auditor under this section, shall be made after taking into account the recommendations of the Audit Committee.

(*7*) The remuneration of the auditor shall be fixed in the general meeting or in such manner as may be determined therein.

(*8*) Until the first annual general meeting is held, auditors duly qualified to act as auditors of companies under the law for the time being in force relating to companies shall be appointed by the Board with the previous approval of the Central Government, and shall receive such remuneration from the Corporation as the Central Government may fix.

(*9*) Notwithstanding anything contained in sub-section (*1*), where an auditor has been appointed previous to the first annual general meeting, either under section 25 [as it stood before the coming into force of section 137 of the Finance Act, 2021] or thereafter under sub-section (*8*), and the term specified for such auditor's appointment has not expired, and the auditor meets the criteria referred to in sub-section (*1*), such auditor shall continue till the expiry of the term so specified:

Provided that nothing contained in this sub-section or in section 25A shall prejudice the right of the Corporation to remove such auditor or the right of the auditor to resign from such office of the Corporation.

(*10*) An auditor appointed under sub-section (*1*) or sub-section (*8*) or sub-section (*9*) shall provide to the Corporation or its subsidiaries such other services as are approved by the Board, but shall not include any of the services, whether rendered directly or indirectly, that are enumerated in section 144 of the Companies Act:

Provided that an auditor who has been performing any non-audit services on or before the coming into force of section 137 of the Finance Act, 2021 shall comply with the provisions of this sub-section before the close of the first financial year in which the said section comes into force.

Explanation.—For the purposes of this section, the word "firm" shall include a limited liability partnership incorporated under the Limited Liability Partnership Act, 2008 (6 of 2009).

25A. Removal and resignation of auditor.—(*1*) The auditor appointed under section 25 may be removed from office before expiry of the term of appointment only by a special resolution:

Provided that before taking any action under this sub-section, an auditor proposed to be removed shall be given a reasonable opportunity of being heard, which shall include the right to represent in writing to the Corporation and, where the auditor requests that such representation be notified to members, to have a copy thereof sent to every member and in case a copy is not sent as aforesaid because it was received too late, to have the representation read out at the meeting, without prejudice to the right to be heard orally.

(*2*) The auditor who has resigned from the Corporation shall file within a period of thirty days from the date of resignation, a statement in the prescribed form with the Corporation, indicating the reasons and other facts as may be relevant with regard to the resignation.

(*3*) Without prejudice to any action under this Act or any other law, if the Central Government is satisfied, in consultation with the Comptroller and Auditor General of India, that any change of auditor is required, it may make an order that the auditor shall not function as such and may appoint another auditor in place of such auditor.

25B. Powers and duties of auditors and auditor's report.—(*1*) Every auditor of the Corporation shall have a right of access at all times to the books of account and vouchers of the Corporation, and shall be entitled to require from the officers of the Corporation such information and explanation as the auditor may consider necessary for the performance of his duties as auditor, and shall, amongst other matters, inquire into the following matters, namely:—

(*a*) whether loans and advances made by the Corporation on the basis of security have been properly secured;

(*b*) whether the terms on which loans and advances have been made are prejudicial to the interests of the Corporation or its members;

(*c*) whether transactions of the Corporation which are represented merely by book entries are prejudicial to its interests;

(*d*) whether so much of the assets of the Corporation as consist of shares, debentures and other securities have been sold at a price less than that at which they were purchased;

(*e*) whether loans and advances made by the Corporation have been shown as deposits;

(*f*) whether personal expenses have been charged to revenue account;

(*g*) where it is stated in the books and documents of the Corporation that any shares have been allotted for cash, whether cash has actually been received in respect of such allotment, and if no cash has actually been so received, whether the position as stated in the account books and the balance-sheet is correct, regular and not misleading:

Provided that the auditor shall also have the right of access to the records of all the subsidiaries and associate companies of the Corporation, in so far as they relate to consolidation of the Corporation's financial statements with those of such subsidiaries and associate companies.

(*2*) The auditor shall make a report to the members on the accounts examined by the auditor and on every financial statement which is required by or under law to be placed in general meeting, and such report shall, after taking into account applicable provisions of this Act and any other law for the time being in force, the standards referred to in section 24B, and matters that are required to be included in the audit report under the provisions of this Act or any other law for the time being in force, and to the best of the information and knowledge of the auditor, state that the said accounts and financial statements give a true and fair view of the state of the Corporation's affairs as at the end of its financial year and profit or loss and cash flow for the year.

(*3*) The auditor's report shall also state—

(*a*) whether the auditor has sought and obtained all the information and explanations which to the best of the auditor's knowledge and belief were necessary for the purpose of audit and if not, the details thereof and the effect of such information on the financial statements;

(*b*) whether, in the auditor's opinion, proper books of account as required by law have been kept by the Corporation so far as appears from the auditor's examination of those books and proper returns adequate for the purposes of audit have been received from branches not visited by the auditor;

(*c*) whether any report referred to in the proviso to sub-section (*6*) has been sent to the Corporation's auditor, and the manner in which the Corporation's auditor has dealt with it in preparing the auditor's report;

(*d*) whether the Corporation's balance-sheet and profit and loss account dealt within the report are in agreement with the books of account and returns;

(*e*) whether, in the auditor's opinion, the financial statements comply with applicable standards;

(*f*) the observations or comments of the auditor on financial transactions and matters which have any adverse effect on the functioning of the Corporation;

(*g*) whether any director is disqualified to be or remain a director under clause (*i*) of section 4A;

(*h*) any qualification, reservation or adverse remark relating to the maintenance of accounts and matters connected therewith;

(*i*) whether the Corporation has adequate internal financial controls with reference to financial statements in place and the operating effectiveness of such controls;

(*j*) such other matters as may be prescribed.

(*4*) Where any of the matters required to be included in the audit report under this section is answered in the negative or with a qualification, the report shall state the reasons therefor.

(*5*) All qualifications, observations or comments mentioned in the report of the auditor appointed for the Corporation, in respect of financial transactions or matters that have any adverse effect on the functioning of the Corporation, shall be read out in general meeting and shall be open to inspection by any member.

(*6*) In respect of a branch or an office of the Corporation, the accounts shall be audited either by the auditor appointed for the Corporation (herein referred to as Corporation's auditor) in this section or by any other person qualified for appointment as an auditor of the Corporation and appointed as such under section 25, or where the branch or office is situated in a country outside India, the accounts of the branch or office shall be audited either by the Corporation's auditor or by an accountant or by any other person duly qualified to act as an auditor of the accounts of the branch or office in accordance with the laws of that country, and the duties and powers of the Corporation's auditor with reference to the audit of the branch or office and the auditor thereof, if any, shall be such as may be prescribed:

Provided that the auditor for a branch or office shall prepare a report on the accounts of the branch or office, examined by such auditor and shall send it to the Corporation's auditor, who shall deal with it in the Corporation's auditor's report in such manner as the Corporation's auditor may consider necessary.

25C. Internal auditor.—(*1*) The Board shall, on the recommendation of the Audit Committee, appoint an internal auditor, who shall either be a chartered accountant or a cost accountant, or such other professional as may be determined by the Board to conduct the internal audit of the functions and activities of the Corporation.

(*2*) The Audit Committee shall—

(*a*) recommend to the Board for the appointment, remuneration and terms of appointment of the internal auditor;

(*b*) in consultation with the internal auditor, formulate the scope, functioning, periodicity and methodology for conducting the internal audit;

(*c*) review and monitor the internal auditor's performance and effectiveness of audit process.

25D. Special auditor.—Notwithstanding anything contained in sections 19C, 23A, 25, 25A and 25B, the Central Government may, at any time, appoint such auditor as it deems fit as a special auditor to examine and report on the accounts of the Corporation, and such auditor shall have the same rights of access to the books of account and vouchers of the Corporation and entitlement to require information and explanation from the officers of the Corporation as an auditor of the Corporation has under section 25B.]

26. Actuarial valuations.—[1][The Board] shall, [2][every year], cause an investigation to be made by actuaries into the financial conditions of the [3][life insurance business of the Corporation, including a valuation of the liabilities of the Corporation in respect thereto], and submit the report of the actuaries to the [4][Board].

27. Annual report of activities of Corporation.—The Corporation shall, as soon as may be, after the end of each financial year, prepare and submit to the Central Government in such form as may be prescribed a report giving an account of its activities during the previous financial year, [5]***.

[6][**28. Surplus from life insurance business, how to be utilised.—**(*1*) If as a result of any investigation undertaken by the Board under section 26, any surplus emerges,—

(*a*) for every financial year previous to the financial year for which the funds referred to in sub-section (*2*) of section 24 are to be maintained, and for any subsequent financial year for which members may exempt the maintenance of such funds,—

(*I*) ninety per cent., or such higher percentage as the Board may approve, of such surplus shall be allocated to or reserved for the life insurance policyholders of the Corporation; and

(*II*) such percentage of the remaining surplus as the Board may approve, shall be allocated to or reserved for members and may either be credited to a separate account maintained by the Corporation or be transferred to such reserve or reserves as the Board may specify;

(*b*) for every financial year other than that referred to in clause (*a*),—

(*i*) in respect of participating policyholders,—

(*I*) ninety per cent., or such higher percentage as the Board may approve, of surplus relating to such policyholders, shall be transferred to the participating policyholders fund, and shall be allocated to or reserved for the life insurance participating policyholders of the Corporation; and

(*II*) such percentage of the remaining surplus as the Board may approve, shall be allocated to or reserved for members and may either be credited to a separate account maintained by the Corporation or be transferred to such reserve or reserves as the Board may specify;

(*ii*) in respect of non-participating policyholders, one hundred per cent. of surplus relating to such policyholders shall be allocated to or reserved for members and may either be credited to a separate account maintained by the Corporation or be transferred to such reserve or reserves as the Board may specify.

(*2*) The remaining surplus referred to in sub-clause (*ii*) of clause (*a*) of sub-section (*1*) or in item (*ii*) of sub-clause (*i*) of clause (*b*) of sub-section (*1*), as the case may be, and the surplus referred to in sub-clause (*ii*) of clause (*b*) of sub-section (*1*), and the profits allocated to or reserved for the members under section 28A, shall be utilised for such purposes as the Board may approve, including for the purpose of declaration or payment of dividend, the issue of fully paid-up bonus shares to members and crediting any of the reserves that the Board may create for any purpose.

(*3*) The Corporation shall, with the approval of the Board, publish on its website its surplus distribution policy at least once in five years, or such shorter period not less than three years as the Board may deem fit, and such policy shall specify, among other things, the percentages referred to in sub-section (*1*).]

[7][(*4*) Where a branch or office of the Corporation is situated in a country outside India, the surplus in such branch or office shall be utilised in accordance with the laws of such country.]

1. Subs. by Act 13 of 2021, s. 138, for "The Corporation" (w.e.f. 30-6-2021).
2. Subs. by Act 8 of 2012, s. 4, for "once at least in every two years" (w.e.f. 31-3-2012).
3. Subs. by Act 33 of 1965, s. 2, for certain words (w.e.f. 29-9-1965).
4. Subs. by 13 of 2021, s. 138, for "Central Government" (w.e.f. 30-6-2021).
5. The words "and the report shall also give an account of the activities, if any, which are likely to be undertaken by the Corporation in the next financial year" omitted by s. 139, *ibid*. (w.e.f. 30-6-2021).
6. Subs. by s. 140, *ibid*., for section 28 (w.e.f. 30-6-2021).
7. Ins. by Act 40 of 2025, s. 82 (w.e.f. 5-2-2026).

[1][**28A. Profits from any business (other than life insurance business) how to be utilised.—**If for any financial year profits accrue from any business (other than life insurance business) carried on by the Corporation, then, after making provision for reserves and other matters for which provision is necessary or expedient, the balance of such profits shall be [2][allocated to or reserved for the members].]

[3][**28B. Declaration of dividend.—**(*1*) No dividend shall be declared or paid by the Corporation for any financial year except out of the surpluses and profits referred to in sub-section (*2*) of section 28 (after excluding any amount representing unrealised gains, notional gains or revaluation of assets and any change in carrying amount of an asset or of a liability on measurement of the asset or the liability at fair value) for such year arrived at after providing for depreciation, or for any previous financial year or years arrived at after providing for depreciation and remaining undistributed, or out of both the aforesaid surpluses and profits:

Provided that no dividend shall be declared or paid by the Corporation from its reserves other than free reserves:

Provided further that no dividend shall be declared or paid by the Corporation unless any losses carried over from previous years and any depreciation not provided for in previous years are set off against the surpluses and profits referred to in sub-section (*2*) of section 28 for the financial year for which the dividend is proposed to be declared or paid.

(*2*) The Board may, during any financial year or at any time during the period from the close of a financial year till the holding of the annual general meeting for that financial year, declare interim dividend out of the surpluses and profits referred to in sub-section (*2*) of section 28 of the financial year for which such interim dividend is sought to be declared, or out of the surpluses and profits referred to in sub-section (*2*) generated in the current financial year till the close of the quarter preceding the date of declaration of such interim dividend:

Provided that in case the Corporation has incurred loss during the current financial year up to the close of the quarter immediately preceding the date of declaration of interim dividend, such interim dividend shall not be declared at a rate higher than the average of the dividends declared by the Corporation during the immediately preceding three financial years.

(*3*) The amount of the dividend, including interim dividend, shall be deposited in a scheduled bank in a separate account within five days from the date of declaration of such dividend.

(*4*) No dividend shall be paid by the Corporation in respect of any share of the Corporation except to the member in whose name such share is entered on the register of members referred to in section 5C, or to his order, or to his banker, and shall be payable in cash and not in stock or other form of value:

Provided that nothing in this sub-section shall be deemed to prohibit the capitalisation of the surpluses and profits referred to in sub-section (*2*) of section 28 for the purpose of issuing fully paid-up bonus shares or paying up any amount for the time being unpaid on any share held by members:

Provided further that any dividend payable in cash may be paid by cheque or warrant or in any electronic mode to the member entitled to such payment.

28C. Unpaid Dividend Account.—(*1*) Where a dividend has been declared by the Corporation but has not been paid or claimed within thirty days from the date of declaration to any member entitled to payment thereof, the Corporation shall, within seven days from the expiry of the said period of thirty days, transfer the total amount of dividend which remains unpaid or unclaimed to a special account to be opened by the Corporation in that behalf in any scheduled bank, to be called the Unpaid Dividend Account.

(*2*) The Corporation shall, within a period of ninety days of making any transfer of an amount under sub-section (*1*) to the Unpaid Dividend Account, prepare a statement containing the name and last known address of, and the amount of the unpaid dividend payable to, each member entitled to such unpaid

1. Ins. by Act 33 of 1965, s. 4 (w.e.f. 29-9-1965).

2. Subs. by Act 13 of 2021, s. 141, for "paid to the Central Government" (w.e.f. 30-6-2021).

3. Ins. by s. 142, *ibid*. (w.e.f. 30-6-2021).

dividend, and shall place such statement on its website and on any other website as the Central Government may specify.

(*3*) If any default is made in transferring the total amount referred to in sub-section (*1*) or any part thereof to the Unpaid Dividend Account, the Corporation shall pay, from the date of such default, interest on so much of the amount as has not been transferred to the said account, at such rate as is specified in

section 124 of the Companies Act, and the interest accruing on such amount shall ensure to the benefit of the members in proportion to the amount remaining unpaid to them.

(*4*) Any person claiming to be entitled to any money transferred under sub-section (*1*) to the Unpaid Dividend Account may apply to the Corporation for payment of the money claimed.

(*5*) The amount remaining unclaimed and unpaid for a period of seven years from the date it became due for payment in the Unpaid Dividend Account shall be transferred to the Investor Education and Protection Fund established under sub-section (*1*) of section 125 of the Companies Act and shall be deemed to be an amount credited to the said Fund under sub-section (*2*) of the said section.

(*6*) All shares in respect of which dividend has not been paid or claimed for seven consecutive years or more shall be transferred by the Corporation in the name of the Investor Education and Protection Fund along with a statement containing such details as may be prescribed:

Provided that every claimant of such shares shall be entitled to claim the transfer thereof from the said Fund in accordance with such procedure and on submission of such documents as may be prescribed.

Explanation.—For the removal of doubts, it is hereby clarified that in case any dividend is paid or claimed for any year during the said period of seven consecutive years, the share shall not be transferred to the Investor Education and Protection Fund.]

29. Reports to be laid before Parliament.—The Central Government shall cause the report of the auditors under section 25, the report of the actuaries under section 26 and the report giving an account of the activities of the Corporation under section 27 to be laid before both Houses of Parliament as soon as may be after each such report is received by the Central Government.

CHAPTER VII

MISCELLANEOUS

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

[1][**30A. Exclusive privilege of Corporation to cease.—**Notwithstanding anything contained in this Act, the exclusive privilege of carrying on life insurance business in India by the Corporation shall cease on and from the commencement of the Insurance Regulatory and Development Authority Act, 1999 (41 of 1999), and the Corporation shall, thereafter, carry on life insurance business in India in accordance with the provisions of the Insurance Act, 1938 (4 of 1938) [2][, as applicable to the Corporation by virtue of section 43 of the Life Insurance Corporation Act, 1956 (31 of 1956)].]

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

1. Ins. by Act 41 of 1999, s. 31 and Sch. II (w.e.f. 19-4-2000).

2. Ins. by Act 40 of 2025, s. 83 (w.e.f. 5-2-2026).

3. Subs. by Act 41 of 1999, s. 31 and Sch. II, for "Controller" (w.e.f. 19-4-2000).

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

32. Power of Corporation to have official seal in certain cases.—The Corporation may have for use in any zonal office, divisional office or in any office outside India an official seal which shall be a

facsimile of the common seal of the Corporation, with the addition on its fact of the name of the zonal office, divisional office or other office where it is to be used, and any such official seal may be affixed to any deed or document to which the Corporation is a party.

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

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

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

(*2*) On receipt of an application under sub-section (*1*), the Central Government shall determine the value of the assets of the insurer appertaining to his controlled business in existence on 31st day of December, 1955, computed as at that date in accordance with the provisions contained in paragraph 3 of Part B of the First Schedule, and deduct therefrom the total amount of the liabilities of the insurer appertaining to his controlled business in existence on the 31st day of December 1955, computed as at that date in accordance with the provisions contained in the Second Schedule; and if there is any excess, the Central Government may, by order, direct that such assets equivalent in value to the excess as may be specified in the order shall not be transferred to or vested in the Corporation, or where the order is made after the appointed day, that the Corporation shall be divested of the said assets.

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

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

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

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

Explanation.—In computing the amount of liabilities in respect of the policies referred to in this sub-section, allowance shall be made for receipts and payments in respect of such policies from the 31st day of December, 1955, up to the date of the order.

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

36. Contracts of chief agents and special agents to terminate.—Notwithstanding anything contained in the Insurance Act or in any other law for the time being in force every contract appertaining to controlled business subsisting immediately before the appointed day,—

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

(*b*) between the chief agent of an insurer and a special agent;

shall, as from the appointed day, cease to have effect and all rights accruing to the chief agent or the special agent under any such contract shall terminate on that day:

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

37. Policies to be guaranteed by Central Government.—The sums assured by all policies issued by the Corporation including any bonuses declared in respect thereof and, subject to the provisions contained in section 14 the amounts assured by all policies issued by any insurer the liabilities under which have vested in the Corporation under this Act, and all bonuses declared in respect thereof, whether before or after the appointed day, shall be guaranteed as to payment in cash by the Central Government.

[1][Provided that the Corporation shall endeavour that its funds are invested in the attractive schemes formulated by it to ensure increased bonus to policyholders while having least investment risk so as to enable the Corporation to play a greater role in economic enrichment of the masses while maintaining its position as a leading player in the market.]

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

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

40. Penalty for withholding property, etc.—If any person wilfully withholds or fails to deliver to the Corporation as required by section 13, any property or any books, documents or other papers which may be in his possession or unlawfully retains possession of any property of an insurer which has been transferred to and vested in the Corporation under this Act or wilfully applies any such property to purposes other than those expressed in or authorised by this Act, he shall, on the complaint of the Corporation, be [2][liable to penalty which may extend to fifty lakh rupees or the value of the property, whichever is higher, in respect of each contravention, and if he continues such contravention, to a further penalty which may extend to fifty thousand rupees for every day during which the contravention continues].

41. Tribunal to have exclusive jurisdiction in certain matters.—No civil court shall have jurisdiction to entertain or adjudicate upon any matter which a Tribunal is empowered to decide or determine under this Act.

1. The proviso ins. by Act 8 of 2012, s. 6 (w.e.f. 31-3-2012).

2. Subs. by Act 8 of 2026, s. 2 and Sch., for certain words (w.e.f. 23-6-2026).

42. Enforcement of decisions of Tribunals.—Any decision of a Tribunal may be enforced in any civil court within the local limits of w n against whom the decision is to be

enforced actually and voluntarily resides or carries on business or personally works for gain or owns any property, as if it were a decree passed by that court.

43. Application of the Insurance Act.—(*1*) The following sections of the Insurance Act shall, so far as may be, apply to the Corporation as they apply to any other insurer, namely:—

Sections 2, 2B, 3, 18, 26, 33, 38, 39, 41, 45, 46, [1]***, 50, 51, 52, 110A, 110B, [2][110C and 119].

(*2*) The Central Government shall as soon as may be after the commencement of this Act, by notification in the Official Gazette, direct that the following sections of the Insurance Act shall apply to the Corporation subject to such conditions and modifications as may be specified in the notification, namely:—

Sections 2D, 10, 11, 13, 14, 15, 20, 21, 22, 23, 25, 27A, [3]***, 35, 36, 37, 40, [3]***, 40B, [4][42], 43, [3]***, 102 to 106, [5][108 to] 110, 111, 113, 114 and 116A.

[6]* * * *

(*3*) The Central Government may, be notification in the Official Gazette, direct that all or any of the provision of the Insurance Act [7][and the rules and regulations made thereunder] other than those specified in sub-section (*1*) or sub-section (*2*), shall apply to the Corporation subject to such conditions and modifications as may be specified in the notification.

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

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

43A. [*Deduction of income-tax not to be made on interest or dividend.*]*Omitted by the Finance Act*, 2002 (20 *of* 2002), *s*. 157 (*w.e.f.* 1-6-2002).

44. Act not to apply in certain cases.—Nothing contained in this Act shall apply in relation to—

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

[8]* * * *

[9][Provided that nothing contained in this clause shall apply on and from the date on which the provisions contained in section 2E of the Insurance Act, 1938 (4 of 1938) shall cease to operate;]

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

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

(*e*) any approved superannuation fund as defined in clause (*a*) of section 58N of the Indian Income-tax Act, 1922 (11 of 1922), which is in existence on the appointed day;

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

1. The figures and letter "47A" omitted by Act 40 of 2025, s. 84 (w.e.f. 5-2-2026).
2. Subs. by s. 84, *ibid*., for "110C, 119, 121,122 and 123" (w.e.f. 5-2-2026).
3. The figures and letter "28A", "40A" and "44" omitted by s. 84, *ibid*. (w.e.f. 5-2-2026).
4. Ins. by s. 84, *ibid*. (w.e.f. 5-2-2026).
5. Subs. by s. 84, *ibid.*, for "107 to" (w.e.f. 5-2-2026).
6. Sub-section (*2A*) omitted by s. 84, *ibid*. (w.e.f. 5-2-2026).
7. Ins. by s. 84, *ibid.* (w.e.f. 5-2-2026).
8. Cl. (*b*) omitted by s. 85, *ibid*. (w.e.f. 5-2-2026).
9. The proviso ins. by Act 8 of 2012, s. 7 (w.e.f. 31-3-2012).

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

[1][(*g*) any Family Pension Scheme framed under the Coal Mines Provident Fund, Family Pension and Bonus Schemes Act, 1948 (46 of 1948), or the Employees, Provident Funds and Family Pension Fund Act, 1952 (19 of 1952), for the purpose of providing family pension and life assurance benefits to the employees covered by the said Scheme.]

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

[3][**46. Defects in constitution of Corporation or Committees or in appointment or nomination of directors not to invalidate acts or proceedings.**—(*1*) No act or proceeding of the Corporation or of its Board or any Committee thereof shall be called in question on the ground merely of the existence of any vacancy or defect in the constitution of the Corporation or the Board or such Committee, as the case may be.

(*2*) No act done by an individual as a director shall be deemed to be invalid, notwithstanding that it was subsequently noticed that his appointment or nomination, as the case may be, was invalid by reason of any defect or disqualification or had terminated by virtue of any provision contained in this Act:

Provided that nothing in this sub-section shall be deemed to give validity to any act done by such individual as director after his appointment or nomination, as the case may be, has been noticed by the Corporation to be invalid or to have terminated.

47. Protection of action taken under this Act.—(*1*) No suit, prosecution or other legal proceeding shall lie against any director or employee of the Corporation for anything which is in good faith done or intended to be done in pursuance of this Act or of any rules or regulations made thereunder.

(*2*) A director who is not a whole-time director shall be held liable only in respect of such acts of omission or commission of the Corporation which had occurred with his knowledge, attributable through Board processes, and with his consent or connivance or where he had not acted diligently.

Explanation.—For the purposes of this sub-section, the reference to "Board" shall include Committees of the Board.]

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

(*2*) In particular, and without prejudice to the generality of the foregoing power, such rules may provide for all or any of the following matters, namely:—

(*a*) the term of office and the conditions of service of [4][directors];

[5][(*aa*) the manner of disclosure of interest by a director under section 4B;

1. Ins. by Act 16 of 1971, s. 31 and Sch. III (w.e.f. 23-4-1971).

2. Subs. by Act 17 of 1957, s. 4, for section 45 (w.e.f. 6-6-1957). 3.
Subs. by Act 13 of 2021, s. 143, ss. 46 and 47 (w.e.f. 30-6-2021). 4.
Subs. by s. 144, *ibid.,* for "members" (w.e.f. 30-6-2021).
5. Subs. by s.144, *ibid*., for cl. (*aa*) (w.e.f. 30-6-2021).

(*ab*) the conditions subject to which the Board may consent to related party transactions under section 4C;

(*ac*) the securities and instruments which may be issued under section 5;

(*ad*) the manner of reservation in favour of life insurance policyholders and allotment against such reservation, in relation to a public issue, under clause (*a*) of sub-section (*9*) of section 5;]

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

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

[1][(*cc*) the terms and conditions of service of the employees [2]*** of the Corporation, including those who became employees [2]*** of the Corporation on the appointed day under this Act;]

(*d*) the jurisdiction of the Tribunals constituted under section 17;

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

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

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

[3]* * * *

[4][(*ha*) the manner in which general meetings shall be held, and the business to be transacted and procedure to be followed thereat;

(*hb*) the quorum for a general meeting, and the manner of holding the meeting if it could not be held for want of quorum and was adjourned under section 23A;

(*hc*) the manner in which persons may attend a general meeting and exercise their vote;

(*hd*) the manner in which notices may be served on behalf of the Corporation upon members or other persons;

(*he*) the form and manner in which the financial statements referred to in sub-section (*8*) of section 24B may be issued, circulated or published;

(*hf*) matters that may be prescribed under clause (*n*) of sub-section (*1*) of section 24C;

(*hg*) the manner and procedure of selection and conditions of appointment of auditors under sub-section (*1*) of section 25;

(*hh*) the form in which an auditor who has resigned shall indicate the reasons and other facts relevant to the resignation under sub-section (*2*) of section 25A;

(*hi*) the matters to be prescribed under clause (*j*) of sub-section (*3*) of section 25B;

(*hj*) the duties and powers of the Corporation's auditor with reference to the audit of a branch or office of the Corporation and the auditor thereof, under sub-section (*6*) of section 25B;

(*hk*) the details, procedure and documents under sub-section (*6*) of section 28C;]

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

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

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

1. Ins. by Act 1 of 1981, s. 2 (w.e.f. 20-6-1979).

2. The words "and agents" omitted by Act 8 of 2012, s. 8 (w.e.f. 31-3-2012).

3. Cl. (*h*) omitted by Act 40 of 2025, s. 86 (w.e.f. 5-2-2026).

4. Ins. by Act 13 of 2021, s. 144 (w.e.f. 30-6-2021).

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

[1][(*2A*) The regulations and other provisions as in force immediately before the commencement of the Life Insurance Corporation (Amendment) Act, 1981, with respect to the terms and conditions of service of employees and agents of the Corporation including those who became employees and agents of the Corporation on the appointed day under this Act, shall be deemed to be rules made under clause (*cc*) of sub-section (*2*) and shall, subject to the other provisions of this section, have effect accordingly.

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

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

(*ii*) the power to amend by way of addition, variation or repeal, the regulations and other provision referred to in sub-section (*2A*), with retrospective effect,

from a date not earlier than the twentieth day of June, 1979.

(*2C*) The provisions of clause (*cc*) of sub-section (*2*) and sub-section (*2B*) and any rules made under the said clause (*cc*) shall have effect, and any such rule made with retrospective effect from any date shall also be deemed to have had effect from that date, notwithstanding any judgement, decree or order of any court, tribunal or other authority and notwithstanding anything contained in the Industrial Disputes Act, 1947 (14 of 1947), or any other law or any agreement, settlement, award or other instrument for the time being in force.]

[2][(*3*) Every rule made by the Central Government under this Act shall be laid, as soon as may be after it is made, before each House of Parliament while it is in session, for a total period of thirty days which may be comprised in one session or in two or more successive sessions, and if, before the expiry of the session immediately following the session or the successive sessions aforesaid, both Houses agree in making any modification in the rule or both Houses agree that the rule should not be made, the rule shall thereafter have effect only in such modified form or be of no effect, as the case may be; so, however, that any such modification or annulment shall be without prejudice to the validity of anything preciously done under that rule.]

49. Power to make regulations.—(*1*) The [3][Board] may, with the previous approval of the Central Government, by notification in the *Gazette of India,* make regulations not inconsistent with this Act and the rules made thereunder to provide for all matters for which provision is expedient for the purpose of giving effect to the provisions of this Act.

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

(*a*) the powers and functions of the [3][Board] which may be delegated to the Zonal Managers;

[4][(*b*) the method of recruitment of employees and agents of the Corporation and the terms and conditions of the agents;]

[5]* * * * *

[6]* * * * *

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

(*e*) the manner in which the [7][fund or funds] of the Corporation shall be maintained;

(*f*) the maintenance of separate funds and accounts at each of the zonal offices;

1. Ins. by Act 1 of 1981, s. 2 (w.e.f. 31-1-1981).

2. Subs. by Act 52 of 1975, s. 43, for sub-section (*3*) (w.e.f. 16-2-1976). 3.
Subs. by Act 13 of 2021, s. 145, for "Corporation" (w.e.f. 30-6-2021). 4.
Subs. by Act 8 of 2012, s. 9, for cl. (*b*) (w.e.f. 31-3-2012).

5. Cl. (*bb*) omitted by Act 1 of 1981, s. 3 (w.e.f. 31-1-1981).

6. Cl. (*c*) omitted by Act 13 of 2021, s. 145 (w.e.f. 30-6-2021).

7. Subs. by s. 145, *ibid.,* for "Fund" (w.e.f. 30-6-2021).

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

[1][(*h*) the manner in which meetings of the Board and its Committees shall be held, the business to be transacted and procedure to be followed thereat, and the quorum therefor;]

[2]* * * * *

[3]* * * * *

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

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

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

[4][(*n*) the manner of election of directors under clause (*f*) of sub-section (*2*) of section 4;

(*o*) the form and manner of registers to be kept and maintained under sub-section (*1*) of section 5B;

(*p*) the manner of nomination by an individual registered member or joint holder of shares, the manner of variation or cancellation of such nomination, and the manner of nomination in favour of a minor, under section 5E;

(*q*) the manner in which and the conditions subject to which shares, including partly paid-up shares, may be issued, held, transferred and registered;

(*r*) the maintenance and operation of the funds and reserves under section 24;

(*s*) the form and manner in which the books and records referred to in section 24A may be kept;]

[4][(*2A*) Any reference in the regulations as in force immediately before the coming into force of section 132 of the Finance Act, 2021 to "Investment Committee" shall be construed as a reference to the Investment Committee of the Board referred to in section 19A.]

[5][(*3*) Every regulation made under this section shall be laid, as soon as may be after it is made, before each House of Parliament, while it is in session, for a total period of thirty days which may be comprised in one session or in two or more successive sessions, and if, before the expiry of the session immediately following the session or the successive sessions aforesaid, both Houses agree in making any modification in the regulation or both Houses agree that the regulation should not be made, the regulation shall thereafter have effect only in such modified form or be of no effect, as the case may be; so, however, that any such modification or annulment shall be without prejudice to the validity of anything previously done under that regulation].

[6]**[50. Form, manner, etc., for companies to apply with modifications.**—Where this Act provides that the form or manner or period or details in respect of any declaration to be made or the particulars to be included in any register to be maintained shall be such as may be prescribed for a company under the Companies Act, such prescribed form or manner or period or details or particulars, as the case may be, shall apply subject to such modifications, exceptions and conditions that the Central Government may, by notification, specify.

1. Subs. by Act 13 of 2021, s. 145, for cl. (*h*) (w.e.f. 30-6-2021).
2. Cl. (*i*) omitted by s. 145, *ibid.* (w.e.f. 30-6-2021).
3. Omitted by Act 8 of 2012, s. 9 (w.e.f. 31-3-2012).
4. Ins. by Act 13 of 2021, s. 145 (w.e.f. 30-6-2021).
5. Ins. by Act 1 of 1981, s. 3 (w.e.f. 31-1-1981).
6. Ins. by Act 13 of 2021, s. 146 (w.e.f. 30-6-2021).

51. Power to remove difficulties.—(*1*) If any difficulty arises in giving effect to the provisions of this Act as amended by Part III of Chapter VI of the Finance Act, 2021, the Central Government may, by order published in the Official Gazette, make such provisions, not inconsistent with the provisions of this Act, as appear to it to be necessary or expedient for removing the difficulty:

Provided that no such order shall be made after the expiry of a period of three years from the date of commencement of Part III of Chapter VI of the Finance Act, 2021.

(*2*) Every order made under this section shall, as soon as may be after it is made, be laid on the table of each House of Parliament.]

THE FIRST SCHEDULE

(*See* section 16)

PRINCIPLES FOR DETERMINING COMPENSATION

PART A

The compensation to be given by the Corporation to an insurer having a share capital on which dividend or bonus is payable, who has allocated as bonus to policy-holders the whole or any part of the surplus as disclosed in the abstracts prepared in accordance with Part II of the Fourth Schedule to the Insurance Act in respect of the last actuarial investigation relating to his controlled business as at a date earlier than the 1st day of January, 1955, shall be computed in accordance with the provisions contained in paragraph 1 or paragraph 2, whichever is more advantageous to the insurer.

Paragraph 1.—Twenty times the annual average of the share of the surplus allocated to share-holders as disclosed in the abstracts aforesaid in respect of the relevant actuarial investigations multiplied by a figure which represents the proportion that the average business in force during the calendar years 1950 to 1955 bears to the average business in force during the calendar years comprised in the period between the date as at which the actuarial investigation immediately preceding the earliest of the relevant actuarial investigations was made and the date as at which the last of such investigations was made.

Paragraph 2.—Half the amount payable under paragraph 1 plus the paid-up capital or assets equivalent thereto, or, in the case of a composite insurer, that part of the paid-up capital or assets equivalent thereto which has or been transferred to and vested in the Corporation under this Act less the amount, if any of expenses or losses or both capitalised by the insurer for the purposes of Form A in the First Schedule to the Insurance Act.

Explanation 1.—For the purposes of paragraph 1,—

(*a*) "relevant actuarial investigations" means such minimum number of latest actuarial investigations as at dates earlier than the 1st day of January, 1955 (not being less than two in any case), as 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 as at which the last of such investigations was made, to be not less than four years;

(*b*) "average business in force" means the average of total sums assured by the insurer (including any bonus) in respect of his controlled business as on the 31st day of December of each of the relevant calendar years.

Explanation 2.—For the purposes of paragraph 1, where an insurer has allocated to share-holders more than 5 per cent. of any such surplus as is referred to therein, the insurer shall be deemed to have allocated only 5 per cent. of the surplus and where an insurer has not allocated any such surplus to share-holders or has allocated to share-holders less than 31/2 per cent. of any such surplus, the insurer shall be deemed to have allocated 31/2 per cent. of the surplus.

Explanation 3.—In the case of any insurer incorporated outside India, the annual average of the share of the surplus allocated to share-holders for the purposes of paragraph 1 shall be deemed to be the annual average of the surplus as disclosed in the abstracts prepared in accordance with Part II of the Fourth Schedule to the Insurance Act in respect of the relevant actuarial investigations multiplied by a figure which is the average of the two figures mentioned below:—

(*i*) a figure representing the proportion which the share allocated to share-holders out of the surplus in respect of the world business of the insurer (such share being computed subject to the provisions of *Explanation* 2) bears to the whole of such surplus as ascertained with reference to the last actuarial investigation relating to such business as at a date earlier than the 1st day of January, 1955; and

(*ii*) a figure representing the proportion which the share allocated to share-holders out of the surplus in respect of the world business of the insurer (such share being computed subject to the provisions of *Explanation* 2) bears s as ascertained with reference to the

actuarial investigation relating to such business immediately preceding the actuarial investigation referred to in clause (*i*):

Provided that in the case of any such insurer in respect of whom an order has been made under section 35 the amount computed as follows shall be deemed to be the annual average of the surplus:—

(*a*) there shall be deducted from the annual average of the surplus, interest at 31/2 per cent. per annum for one year calculated on the assets specified in any order made under sub-section (*2*) of section 35;

(*b*) with respect to the balance arrived at under clause (*a*), there shall be computed an amount that bears the same proportion to the said balance as the liability on policies appertaining to the controlled business of the insurer, other than those expressed in any foreign currency issued on the lives of persons who are citizens of India, bears to the liability in respect of all policies appertaining to such business, the liabilities on policies being computed as at the 31st day of December, 1955, in accordance with the provisions contained in clause (*b*) of the Second Schedule:

Provided further that—

(*a*) in any case where the order made under section 35 is with reference to sub-section (*2*) only, the preceding proviso shall have effect as if clause (*b*) had been omitted therefrom; and

(*b*) in any case where the order made under section 35 is with reference to sub-section (*3*) only, the preceding proviso shall have effect as if—

(*i*) clause (*a*) had been omitted;

(*ii*) in clause (*b*), the words, brackets and letter "with respect to the balance arrived at under clause (*a*)" had been omitted; for the words "the said balance" the words "annual average of the surplus" had been substituted; and for the words, brackets and letter "with the provisions contained in clause (*b*) of", the words and letter "with method a specified in" had been substituted.

Explanation 4.—Where an insurer is an insurer incorporated outside India whose paid-up capital is outside India—

(*a*) the provisions contained in paragraph 1 shall have effect as if the words "less a sum equal to that part of the paid-up capital of the insurer as may be determined by the Central Government to be allocable to the controlled business of the insurer" were inserted at the end of that paragraph; and

(*b*) the provisions contained in paragraph 2 shall have effect as if,—

(*i*) the words "without making the deduction referred to in clause (*a*) of *Explanation* 4" had been inserted after the words "half the amount payable under paragraph 1"; and

(*ii*) the words beginning with "plus the paid-up capital" and ending with "in the First Schedule to the Insurance Act" had been omitted.

PART B

The compensation to be given by the Corporation to an insurer having a share capital on which dividend or bonus is payable who has not made any such allocation as is referred to in Part A in respect of the last actuarial investigation as at a date earlier than the 1st day of January, 1955, shall be an amount equal to the value of the assets of the insurer appertaining to his controlled business in existence, on the 19th day of January, 1956, computed as at that date in accordance with the provisions of paragraph 3 less the amount of liabilities of the insurer appertaining to such business in existence on the 19th day of January, 1956, computed as at that date in accordance with the provisions of paragraph 4.

Paragraph 3.—**Assets**.—(*a*) The market value of any land or buildings.

(*b*) The market value of any shares, securities or other investments held by the insurer.

(*c*) The total amount of the premiums paid by the insurer in respect of all leasehold properties reduced in the case of each such premium by an amount which bears to such premium the same proportion as the

expired term of the lease in respect of which such premium shall have been paid bears to the total term of the lease.

(*d*) The amount of debts due to the insurer, whether secured or unsecured, to the extent to which they are reasonably considered to be recoverable.

(*e*) The amount of premiums which have fallen due to the insurer on policies of life insurance but have not been paid and the days of grace for payment of which have not expired.

(*f*) The amount of cash held by the insurer whether in deposit with a bank or otherwise.

(*g*) The value of all tangible assets other than those falling within any of the preceding clauses.

Paragraph 4.—**Liabilities.**—(*a*)The total amount of liabilities of the insurer to holders of policies in respect of his controlled business on account of matured claims on which payment has to be made.

(*b*) The total amount of liabilities of the insurer to holders of policies in respect of his controlled business which have not matured for payment, the liabilities in respect thereof being calculated on the following actuarial bases:—

(*i*) in respect of whole-life assurances and endowment assurances, the mortality table to be used shall be the Oriental (25-35) ultimate mortality table, and an interest rate of 31/4 per cent. per annum shall be assumed and for expenses 20 per cent. of office premiums in the case of with-profit policies and 15 per cent. of office premiums in the case of non-profit policies shall be reserved;

(*ii*) in respect of other policies such actuarial bases determined by the actuary making the valuation as may be consistent with the basis specified in clause (*i*); and

(*iii*) in determining the liabilities of insurers under clause (*b*) the actuary shall make all the usual provisions and reserves as are ordinarily done in such cases.

(*c*) The total amount of all other liabilities of the insurer.

(*d*) Where, as a result of the actuarial valuation of policy liabilities made under clause (*b*), the life insurance fund is shown to be in surplus, a sum equal to 96 per cent. of such surplus shall be deemed to be a liability under this paragraph.

Explanation.—For the purposes of this Part, in the case of an insurer incorporated outside India in respect whom an order under section 35 has been made, the assets or the assets and liabilities as the case may be, specified in the order shall be excluded.

Paragraph 5.—If the insurer to whom compensation is to be given under this part is a displaced insurer, the compensation to be given shall be computed in accordance with following provisions:—

Firstly, there shall be ascertained the losses incurred by the displaced insurer in respect of claims arising by deaths established by the displaced insurer to have been caused by the civil disturbances which took place on the occasion of the setting up of the Dominions of India and Pakistan, the total loss being taken as the difference between the amounts paid as claims in respect of such deaths and the total amount of the actuarial reserve in respect of the relevant policies;

Secondly, there shall be ascertained the difference between the market value as at the 15th day of August 1947, of any immovable property in West Pakistan belonging to the displaced insurer and the market value thereof determined under *Paragraph* 3 of this part, or, where any such immovable property has been sold before the 19th day of January, 1956, the difference between the market value thereof as at the 15th day of August, 1947 and the sale price;

Thirdly, there shall be ascertained the amount of deposits held by the displaced insurer in banks which could not be withdrawn on account of a moratorium declared under any law for the time being in force, to the extent to which such deposits have become losses;

Fourthly, there shall be ascertained the difference between the market value as at the 15th day of August, 1947, of any shares in any company now carrying on business in West Pakistan held by the

displaced insurer and which had been acquired before the 15th day of August, 1947, and the market value of such shares as at the 19th day of January, 1956.

The amount of compensation to be given to the displaced insurer under this part shall be—

(*a*) the amount which would have to be given to him if this Paragraph had not been enacted, *plus*

(*b*) an amount which represents one-half of the difference between the compensation which would have to be given to him if to the value of the assets referred to in *Paragraph* 3 there had been added the sum of the four items referred to in this *Paragraph* and with respect to the liabilities referred to in *Paragraph* 4, the life insurance fund had been increased by a like sum, and the compensation which would have to be given to him if this Paragraph had not been enacted.

or

one half of the paid-up capital of the displaced insurer whichever is less.

Explanation.—For the purposes of this *Paragraph* "displaced insurer" means an insurance company whose registered office during any part of the year 1947 was in any area now

forming part of West Pakistan and whose registered office is now in India.

PART C

The compensation to be given by the Corporation to an insurer—

(*a*) having no share capital; or

(*b*) having a share capital on which a dividend or bonus is not payable;

shall be in the form of an addition at the rate of rupee one per thousand in respect of the sum assured (excluding bonuses) under each with-profit policy, and in the case of an insurer falling under clause (*b*), such compensation shall also include a sum equivalent to the paid-up capital of the insurer to be paid to him.

THE SECOND SCHEDULE

(*See* section 35)

PRINCIPLES FOR DETERMINING THE VALUE OF LIABILITIES IN CERTAIN CASES

The total amount of the liabilities of an insurer incorporated outside India for the purposes of sub-section (*2*) of section 35 shall be the sum of the amounts computed in accordance with the following provisions:—

(*a*) the total amount of liabilities of the insurer to holders of policies in respect of his controlled business on account of matured claims on which payment has to be made;

(*b*) the total amount of liabilities of the insurer to holders of policies in respect of his controlled business which have not matured for payment, the liabilities in respect thereof being the liabilities calculated in accordance with method B below or the mean of the liabilities calculated in accordance with method A and method B below, whichever is greater.

Method A.—Actuarial liability calculated on the same bases as adopted by the insurer at the last actuarial investigation as at a date earlier than the 1st day of January, 1955.

Method B.—Actuarial liability calculated on the methods known as the modified net premium method of valuation, the mortality table to be used being the Oriental (25-35) ultimate mortality table, an interest rate of 21/2 per cent. per annum being assumed and the allowance for first year expenses being Rs. 40 per thousand rupees of the sum assured by the policy.

Explanation 1.—Before ascertaining the liability under method A and method B, there shall be added to each with-profit policy in force on the 31st day of December, 1955 (unless such addition has already been made) bonus at the same rate as declared at the said last actuarial investigation in respect of each year or part of a year the policy had been in force since the date as at which the said last actuarial investigation was made.

Explanation 2.—In calculating the liabilities in accordance with method A or method B,—

(*i*) in respect of policies other than whole-life assurance and endowment assurance, such actuarial basis determined by the actuary making the valuation as may be consistent with the basis specified in the method shall be employed; and

(*ii*) the actuary shall make all the usual provisions and reserves as are ordinarily done in such cases;

(*c*) the total amount of all other liabilities of the insurer.

THE THIRD SCHEDULE

(*See* section 36)

PRINCIPLES FOR DETERMINING COMPENSATION PAYABLE TO CHIEF AGENTS

The compensation payable to a chief agent shall consist of seventy-five per cent. of the overriding commission specified in the contract relating to chief agency with the insurer on the renewal premiums received by the Corporation during a period of ten years from the appointed day in respect of the business procured by the chief agent before the appointed day; and such compensation shall be determined and paid annually for the said period.

PRINCIPLES FOR DETERMINING COMPENSATION PAYABLE TO SPECIAL AGENTS

The compensation payable to a special agent shall consist of one-eighth of his annual average earnings during the period beginning on the 1st day of January, 1952, and ending on the 31st day of December, 1955, in the form of overriding commissions in respect of business procured by him through insurance agents.

STATEMENT OF OBJECTS AND REASONS

To ensure absolute security to the policy-holder in the matter of his life insurance protection, to spread insurance much more widely and in particular to the rural areas, and as a further step in the direction of more effective mobilization of public savings, Government decided to nationalize life insurance business in India. An Ordinance was promulgated in January, 1956, whereby pending the passing of a Bill to nationalize such business, the management of the life insurance business in India was vested in the Central Government. A Bill has been separately introduced to replace that ordinance and the present Bill lays down the permanent arrangements for nationalization. Under this Bill a Life Insurance Corporation of Insia will be set up, with a share capital provided entirely by the Central Government, which will undertake life insurance business in India as a monopoly and into this Corporation will be integrated all the Insurance Companies now engaged in life business, as also the organisations functioning under the control of State Governments and conducting such business for the benefit of the public.

All the Contracts for assurance executed by the Corporation will be guaranteed by the Central Government.

The Schedules to the Bill lay down the principles governing grant of compensation to the insurers whose business will be taken over by the Corporation.

C.D. DESHMUKH.

New Delhi;

The 14*th February*, 1956.