

From the Chair

The Jupiter General Insurance Company Ltd

Report of the Administrator Shri R Varadachari

THE Revenue Accounts and the Balance Sheet of the Company with the Auditors' Report appended hereto relate to the year ended 31st December 1954.

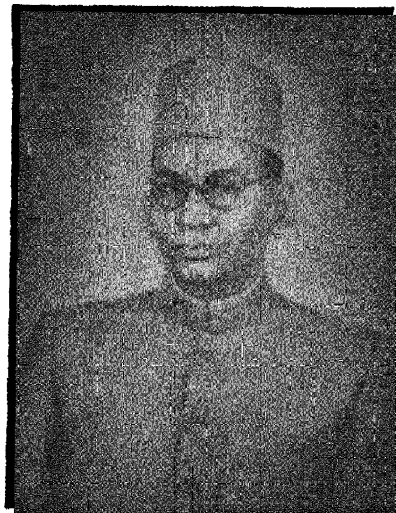
The total premium during the year 1954 from all departments including the Life Department, amounted to Rs. 75,30,075|- as against Rs. 73,50,402|- in the previous year and It is a testimony to the inherent soundness of the Company's position and its organisation as a whole that in spite of the great handicaps under which it has been working since July 1951 it has shown such a good performance without any tied business or help from any source in the prevailing atmosphere of cut-throat competition. The financial position of the Company is quite sound and the assets have increased to a total of Rs. 3,64,97,657|- as against Rs. 2,88,36,324|- in 1950.

As there is some misapprehension in the minds of the public about the "Government management" of this Company, I should state that the Government is not placing directly with the "Jupiter" any of its business. The Company's share of premium on account of Government business received through the Indian Insurance Companies' Association Pool, like many other companies, was—Rs. 25,025/- under Fire, Rs. 22,724/- under Marine and Rs. 15,332/- under Miscellaneous Departments—that is, Rs. 63,081|- in all. The day to day running of the affairs of the Company such as the procurement of business, settlement of claims etc., is almost entirely in the hands of the Managers who have been working with the Company for a number of years. In particular, the reputation of the Company for prompt and fair settlement of claims continues to be high both in Indian and foreign markets.

Fire Department

The net premium in the Fire Department amounted to Rs. 15,10,540|- as against Rs. 15,41,959|- in the previous year. Though the premium has been more or less kept up during the last two years, it is about 50% of what it used to be some years back. The fall is due to the

fact that the Company is unable to enter into the cut-throat competition and the terrible rebating prevailing in the field at the moment. The year has, however, been an unfortunate one for the Fire Department. It had to meet a number of claims arising out of a Fire in Burma; the risks in that area were on the books of the Company even during private management for a number of years. Apart from this, certain foreign Inward treaties showed rather unusually heavy losses with the result that the Department closed at the end of the year with a loss of Rs. 2,63,992|-, after providing 51% of premium under Reserves for unexpired risks. As the Chairman of a well-known in-



Shri R Varadachari

insurance company in London remarked: "A company has nothing to be ashamed of in showing poor results in a year in which catastrophe has been experienced. On the contrary, it can be proud that it has been able to fulfil its purpose; namely, to meet at all times whatever calls may be made upon it. It is some consolation to know that although we have had such heavy losses to meet as a result of these catastrophes, we have been able to alleviate the lot of those unfortunate policyholders who sustained such widespread damage to their homes and personal belongings."

Marine Department

The net premium in the Marine Department amounted to Rs.

4,80,303|- as against Rs. 4,80,141|- in the year 1953. The profit of this Department was Rs. 1,51,114|- after keeping 141% of premium under Reserves for unexpired risks.

Miscellaneous Department

The net premium amounted to Rs. 18,08,048|- as against Rs. 15,85,798|- in 1953, the increase being due to the fact that premiums due for the two years 1953 and 1954 from a treaty company amounting to Rs. 3,26,640|- were accounted for in this year. This Department has been running at a big loss during the previous two years but this year the loss has been reduced to practically a nominal figure of Rs. 18,159|-, after providing 50% of premium under Reserves for unexpired risks. This is not unsatisfactory as the loss was really due to our having to increase the reserves by over a lakh of rupees on account of the increase in premium. The loss due to the Chief Agency at Trinidad opened by the late management and which worked for about a year was over Rs. 3 lakhs and this is a pointer to the clamour for opening out Branches in far off places without adequate supervision.

Life Department

The New Business completed during the year amounted to Rs. 99,19,000|- covering 3,265 policies as against Rs. 1,06,60,000|- covering 3,332 policies in the previous year. The renewal expense ratio for the year works out to 17.0% as against 18.3% in 1953. The Life Fund increased during the year by Rs. 22,51,392|-. The gross interest earned on the mean Life Fund during the year was 3.8% while the net yield was 3.1%.

In spite of various economies, such as the closing of unprofitable Branches and retrenchment of a number of executive officers, the expense ratio in the Fire Department still continues to be high, but this is largely due to the fact that the premium receipts in the Department have fallen down by about 50%. I should add that the expense ratio in 1950 under private management was not very much below that of 1954 notwithstanding the fact that the premium income in that year was nearly twice of this year.

The expenses in the Marine and the Miscellaneous Departments are within reasonable limits, while the renewal expense ratio in the Life Department has actually been brought down to 17.0% from 24.4% in 1950 under private management.

Profit & Loss Account

The Accounts of the year have been closed with a small profit of Rs. 38,951/- and adding this to the

balance brought forward from the Accounts of the last year, the total available profit is Rs. 5,72,881/- After making a further provision for Bad and Doubtful Debts and reserve for taxation amounting in all to Rs. 1,07,565/- the balance of profit is Rs. 4,65,316/- and I propose to carry forward this amount.

The Scheme for the reconstruction of the Capital Structure of the Company in accordance with Section

6B of the Insurance Act, 1938/ is pending in the High Court.

Investments

From 11th July 1951 up to date, the investments of the Company in Government securities and first-class debentures etc. amounted to Rs. 74,98,870/-, after meeting all the outgo during the period. The total assets of the Company as on 31st December 1954 amounted to Rs. 3,64,97,657/-.

Supreme Court and Sales Tax

Hannan Ezekiel

BY reversing last week its decision on the question of sales tax on inter-state trade delivered in the United Motors Case in March 1953, the Supreme Court has taken a step whose significance extends far beyond the immediate question which it has now decided. The constitutional provision that "the law declared by the Supreme Court shall be binding on all courts within the territory of India" (Article 141) had been taken so far to mean that it would be binding also on the Supreme Court itself. This view was refuted, however, by the Acting Chief Justice C. R. Das. "There is nothing in our Constitution" he said, "which prevents as from departing from a previous decision if we are convinced of its error and its baneful effect on the general interest of the public."

However welcome the present decision about sales tax on inter-state trade may be, the implications of this statement need to be examined carefully. For one thing, the finality that has so far been the most important attribute of the decisions of the Supreme Court has been destroyed. Yet, the importance of this element of finality can hardly be over-estimated. Until now, once a decision of the Supreme Court had been delivered one could take it for granted that it represented an authoritative exposition of the provision concerned. If the decision of the court was found politically unacceptable, i.e., if it was felt that the decision operated to the detriment of the people, the only solution was to amend the Constitution, however difficult that might be. In this way, the political decision rested with the Constitution amending authority and ultimately with the people. Even if the judges of the Supreme Court felt that the decision was not correct, they could

do nothing but bow to it, though they might as individuals press for the necessary amendment of the Constitution.

Examining this question the Acting Chief Justice argued that in countries governed by a federal constitution it was by no means easy to amend the Constitution if an erroneous interpretation was put upon it by the Supreme Court. In the circumstances, he felt that an erroneous interpretation of the Constitution might quite conceivably be perpetuated or might at any rate remain unrectified for a considerable time to the great detriment of public well-being. I submit that the question of the public well-being is irrelevant to the issue and the Supreme Court has little to do with it except in those cases when the Constitution itself makes the effect of any legislation on public well-being a matter to be determined by the Court. It might for instance very well happen that an "erroneous" decision might be in the interest of the people and the correction of it might operate to the detriment of the people. That would not prevent the erroneous interpretation from being erroneous. The assertion that the judges should be convinced both of the error of a decision and "of its baneful effect on the general interest of the public" seems therefore entirely unacceptable.

Besides, the baneful effects of a particular decision could hardly be considered greater than those of one which removed the finality from decisions of the Supreme Court, which has hitherto been their greatest advantage. Once the Supreme Court has made an interpretation of the constitution, it should be final. Otherwise, the volume of litigation that is taken up to the Supreme Court will show an enor-

mous increase. Cases will be filed with the deliberate object of persuading the Supreme Court to reverse its decision relating to the interpretation of any provisions of the Constitution if that Court has already given an unfavourable verdict in a similar case. The Court will not be able to rely on its own previous decisions but will have to listen to lengthy arguments aimed at persuading it to reverse previous decisions.

Last week's decision was given in an appeal from a decision of the Bihar High Court preferred by the Bengal Immunity Company of Calcutta. This company, having its registered office, laboratory and factory in West Bengal, was called upon to register itself under the Bihar Sales Tax Act as it was selling its medicines for consumption in Bihar. In 1953, in the United Motors Case relating to the Bombay Sales Tax Act the Supreme Court had decided that a State was entitled to levy "any non-discriminatory tax on goods imported from sister States". In its judgment at that time, the Supreme Court had argued that Clause (2) of Article 286 which prohibited the States from levying the Sales Tax on inter-State trade unless permitted to do so by Parliament by law should be read in the light of the explanation to Clause (1) of the same Article. This explanation provided that for the purposes of clause (1) A of Article 286 which prohibited taxation of sales outside a State "a sale or purchase shall be deemed to have taken place in the State in which the goods have actually been delivered as a direct result of such sale or purchase for the purpose of consumption in that State."

In the present case, the Court has decided after a re-examination of