



**SPECIAL STUDY  
ON  
LIFE AND HEALTH INSURANCE POLICIES  
OF STATE LIFE INSURANCE  
CORPORATION OF PAKISTAN  
FOR THE PERIOD 2015 to 2017**

**AUDITOR GENERAL OF PAKISTAN**

## **PREFACE**

The Auditor General conducts audit as provided under Articles 169 and 170 of the Constitution of the Islamic Republic of Pakistan, 1973 read with Sections 8 and 12 of the Auditor General's (Functions, Powers and Terms and Conditions of Service) Ordinance, 2001. The Special Study on Life and Health Insurance Policies of State Life Insurance Corporation (SLIC) for the period 2015 to 2017 was carried out accordingly.

The Directorate General of Commercial Audit & Evaluation (South), Karachi conducted Special Study on State Life Insurance Corporation of Pakistan for the period from January 01, 2015 to December 31, 2017 during December, 2018 to February, 2019 with a view to report significant findings to the stakeholders. Audit examined the record of three major health insurance projects and life insurance matters. In the context of Health insurance, one project was executed by the Government of Khyber Pakhtunkhwa (KP) in the name of Social Health Programme in Khyber Pakhtunkhwa (KP) whereas; another project was carried out in the name of Prime Minister Social Health Programme by the Federal Government in 41 selected districts of Pakistan. In addition, Audit also assessed whether the management complied with applicable laws, rules, and regulations in managing its affairs. Special Study Report indicates specific actions that, if taken, will help the management in realizing its objectives.

DAC meeting was not convened by PAO despite several requests by audit. The last letter for convening of DAC was issued on 28-04-2021.

The Special Study Report is submitted to the President of Pakistan under Article 171 of the Constitution of the Islamic Republic of Pakistan 1973, for causing it to be laid before the Parliament.

Islamabad  
Dated:

**(Muhammad Ajmal Gondal)**  
Auditor General of Pakistan

# TABLE OF CONTENTS

## ABBREVIATIONS AND ACRONYMS

## EXECUTIVE SUMMARY

## SECTIONS

## Page No.

|     |                                    |       |
|-----|------------------------------------|-------|
| 1.  | INTRODUCTION                       | 1     |
| 2.  | SCOPE OF STUDY AND METHODOLOGY     | 2     |
| 3.  | AUDIT FINDINGS AND RECOMMENDATIONS | 3     |
| 4.1 | Organization & Management          | 3     |
| 4.2 | Financial Management               | 07    |
| 4.3 | Monitoring & Evaluation            | 19    |
| 4.4 | Business Plan                      | 25    |
| 4.5 | Others                             | 30    |
| 4.  | CONCLUSION                         | 34    |
| 5.  | ACKNOWLEDGEMENT                    | 35    |
|     | ANNEXES                            | 36-43 |

## **ABBREVIATIONS AND ACRONYMS**

|         |  |
|---------|--|
| AP      | Audit Plan   |
| AGP     | Auditor General of Pakistan                                    |
| AGM     | Assistant General Manager                                      |
| BoDs    | Board of Directors   |
| CEO     | Chief Executive Officer  |
| CFO     | Chief Financial Officer  |
| DAC     | Departmental Accounts Committee                                |
| DGM     | Deputy General Manager   |
| DPC     | Departmental Promotion Committee                               |
| ED      | Executive Director   |
| EOL     | Excess of Loss   |
| GL      | General Ledger   |
| GM      | General Manager  |
| GFRs    | General Financial Rules  |
| GoP     | Government of Pakistan   |
| GoS     | Government of Sindh  |
| HRC     | Human Resource Committee                                       |
| INTOSAI | International Organization of Supreme Audit Institutions       |
| ISSAI   | International Standards of Supreme Audit Institutions          |
| KP      | Khyber Pakhtunkhwa   |
| MoC     | Ministry of Commerce   |
| ND      | Non-Declinature  |
| PAO     | Principal Accounting Officer                                   |
| PPRA    | Public Procurement Regulatory Authority                        |
| PMNHP   | Prime Minister National Health Program                         |
| SLIC    | State Life Insurance Corporation                               |
| GB      | Gilgit Baltistan   |
| FATA    | Federal Administered Tribal Area                               |
| AJK     | Azad Jammu and Kashmir   |
| F&A     | Finance & Accounts   |
| MoU     | Memorandum of Understanding                                    |
| MNHSR&C | Ministry of National Health Services Regulation & Coordination |
| LINO    | Life Insurance Nationalization Order                           |
| NADRA   | National Database and Registration Authority                   |
| BISP    | Benazir Income Support Program                                 |
| ADB     | Accidental Death Benefit                                       |

## **EXECUTIVE SUMMARY**

The Directorate General of Commercial Audit & Evaluation (South), Karachi conducted Special Study on Life and Health Insurance Policies of State Life Insurance Corporation (SLIC) for the years 2015-17. The main objectives of Special Study were:

- a. To assess Recruitment Process / HR Management,
- b. To ascertain Maturity of Life Insurance policies, Cost analyses of insurance premium and Disbursement mechanism,
- c. To check life insurance claims, and
- d. To scrutinize the business plan and its implementation.

State Life Insurance Corporation of Pakistan (SLIC) was incorporated on November 1, 1972 under the Life Insurance Nationalization Order, 1972 (LINO). It operates through 33 Zones for individual life business and 4 Zones for group life business. The Corporation is engaged in the Life, Health and Accident Insurance businesses and entered into an agreement with Ministry of National Health Services Regulation & Coordination for providing health care facilities in 42 selected districts of Pakistan. The agreement was made in November, 2015 for three years period. The first phase of Prime Minister National Health Insurance Scheme targeted to provide in-patient hospitalization including maternity benefit to 3.20 million populations of selected districts. Moreover, the Government has launched a revolutionary scheme known as Sehat Sahulat Insurance Scheme to facilitate the people, living below poverty line in Khyber Pakhtunkhwa (KP) province.

### **Key Audit Findings**

- i. Policies were issued without giving due consideration to financial credit worthiness of the policy holders & unjustified revival of lapse, auto-paid and surrendered policies.
- ii. Weak internal controls were found in premium collection mechanism.
- iii. The management failed to recover insurance premium & commission from field channel.
- iv. Premium rates of life insurance policy were not updated since inception of the corporation.
- v. Irregular payments of early death claims and inefficiencies of the management to process and settle outstanding claims.
- vi. Irrational clauses in Life Insurance policy such as Non-Declinature (ND) and suicide clause.

- vii. Imprudent expenditures due to delayed execution of Sehat Sahulat Program and non-issuance of printed health card.
- viii. Some regions were not performing efficiently in terms of business generation and could not achieve their targets on consistent basis.

**Recommendations:**

The management requires taking necessary steps to:

- i. Ensure fair recruitment on need basis.
- ii. Rationalize actual versus approved strength.
- iii. Recover outstanding commission, premium and other receivables from concerned quarters.
- iv. Incur expenditure in effective, efficient & economical manner.
- v. Attain maximum enrollment under the health insurance scheme.
- vi. Ensure more vigilance on processing early death claims.