

STATE LIFE INSURANCE CORPORATION OF PAKISTAN

A REVIEW

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EXECUTIVE SUMMARY

I started my internship in **State Life Insurance Corporation of Pakistan** at **Group & Pension Rawalpindi Zone** on 15th July 2013.

I worked for six weeks here and it gave me a lot of practical knowledge about the operation of an insurance company .I have learnt many things in this duration. In the following pages I have summarized my experience, observations and working activities which I observed in my six week internship.

The source of information used during the preparation of this report includes

- Personal Observations
- Discussions with staff & management
- Annual reports
- Handouts
- Different Websites

Report is based on my personal experience & observations about insurance sector which I gained during my internship in state life.

REVIEW OF INSURANCE

REVIEW

1

- INSURANCE
- HISTORY OF INSURANCE
- PRINCIPLES OF INSURANCE
- TYPES OF INSURANCE

CHAPTER NO. 1

STATE LIFE INSURANCE CORPORATION OF PAKISTAN

INSUARANCE:

In simple words, **Insurance** is the equitable transfer of the risk of a loss, from one entity to another in exchange for payment. It is a form of risk management primarily used to meet future expected Loss.

Insurance can be defined as “A contract between an insurance company and a person or group which provides for a money payment in case of covered loss, accident or death”.

“Insurance is a system whereby contributions are received from insuring public and pool of money is created from where the claims are paid to few unfortunate heirs against the policy of those who died during the insurance period”.

HISTORY OF INSURANCE:

Insurance appears simultaneously with the appearance of human society. There are two types of economies in human societies:

- **NATURAL OR NON MONETARY ECONOMIES**

Using barter and trade with no centralized nor standardized set of financial instruments)

- **MODERN MONETARY ECONOMIES**

With markets, currency, financial instruments and so on.

Insurance began as a way of reducing the risk of traders, as early as **2000 BC** in **China** and **1750 BC in Babylon**. Life insurance dates only to ancient Rome; "burial clubs" covered the cost of members' funeral expenses and helped survivors monetarily. Modern life insurance started in **17th century England**, originally as insurance for traders, merchants, ship owners and underwriters met to discuss deals at Lloyd's Coffee House, predecessor to the famous Lloyd's of London. Thus from "**Lloyd's of London, Market of Insurance**" insurance begins.

PRINCIPLES OF INSURANCE:

In every sort of contract there are some principles which must be followed in order to accomplish the contract. Following are the principles of every insurance contract.

▪ PRINCIPLES OF UTMOST GOOD FAITH

An insurance contract is one of utmost good faith. What this means is that all material facts about an insured risk must be disclosed to the insurers at the time of completing the proposal form, or subsequently if the facts change.

▪ PRINCIPLE OF INDEMNITY

Indemnity means that the insurers agree to compensate in the event of loss such that the insured is left substantially in the same position financially.

▪ PRINCIPLE OF CONTRIBUTION

If more than one policy covers the same risk, it is not possible for the insured to claim on both and make again. In this situation each of the insurers involved would be required to contribute a proportionate amount of the loss, this is known as the Principle of Contribution

▪ PRINCIPLE OF SUBROGATION

In the event of a claim and where the insurers have fully indemnified the insured, the insured's original interests can be taken over by the insurers - this is known as the principle of subrogation.

For example, where a third party causes damage to the insured's property, after the insurers have settled the claim they can pursue the third party for the cost of the damage.

▪ PRINCIPLE OF AVERAGE

Underinsurance can have serious implications when insuring a property. Underinsurance means that the replacement value of the property or the value of the contents has been understated on the proposal, thereby lowering the premiums paid.

The principle of average means that the amount of the claim payment will be reduced proportionality if the property was not insured to the full amount of its replacement cost.

- **PRINCIPLE OF PROXIMATE CAUSE**

In the event of a claim the insurers will want to ascertain if the cause of the loss was an insured risk. The principle of proximate cause relates to this and is defined as: The efficient cause which brings about a loss with no other intervening cause which breaks the chain of events.

- **INSURABLE INTEREST**

You must have an interest (insurable interest) in the thing insured. If you could insure something which you did not have an insurable interest in (ownership of) it would be possible to gain in the event of another's loss.

- **INSURABLE RISK**

The risk which is going to cede must be insurable.

TYPES OF INSURANCE:

There are two types of insurance;

**LIFE
INSURANCE**

**GENERAL
INSURANCE**

▪ **LIFE INSURANCE**

Life insurance covers the life of a person. Life insurance provides a monetary benefit to a decedent's family or other designated beneficiary, and may specifically provide for income to an insured person's family, burial, funeral and other final expenses. Life insurance policies often allow the option of having the proceeds paid to the beneficiary either in a lump sum cash payment or an annuity.

▪ **GENERAL INSURANCE**

General insurance is basically an insurance policy that protects you against losses and damages other than those covered by life insurance. For more comprehensive coverage, it is vital for you to know about the risks covered to ensure that you and your family are protected from unforeseen losses.

General insurance include following types of insurance.

- Vehicle insurance
- Health insurance
- Home insurance
- Property insurance
- Liability insurance
- Credit insurance
- Marine insurance
- Aviation insurance
- Travel insurance
- Professional indemnity

STATE LIFE INSURANCE CORPORATION OF PAKISTAN

BRIEF HISTORY

2

- MISSION
- OBJECTIVES
- POLICY
- ORGANIZATIONAL STRUCTURE

CHAPTER NO. 2

STATE LIFE INSURANCE CORPORATION OF PAKISTAN

BRIEF HISTORY:

The Life Insurance Business in Pakistan was nationalized during **March 1972**. Initially Life Insurance business of **32 Insurance Companies** was merged and placed under 3 Beema Units named “A”, “B” and “C” Beema Units. However, later these Beema Units were merged and effective **November 1, 1972** the Management of the Life Insurance Business was consolidated and entrusted to the State Life Insurance Corporation of Pakistan.

State Life Insurance Corporation of Pakistan is headed by a Chairman and assisted by the Executive Directors appointed by Federal Government. Up to July 2000 the Corporation was run by Board of Directors constituted under Life Insurance (Nationalization) Order 1972. In July 2000, **under Insurance Ordinance 2000**, the Federal Government reconstituted the Board of Directors of State Life which runs the affair of this Corporation.

OBJECTIVES:

- I. To run life insurance business on sound line.
- II. To provide more efficient service to the policyholders.
- III. To maximize the return to the policyholders by economizing on expenses and increasing the yield on investment.
- IV. To make life insurance a more effective means of mobilizing national savings.
- V. To widen the area of operation of life insurance and making it available to as large a section of the population as possible, extending it from the comparatively more affluent sections of society to the common man in towns and villages.
- VI. To use the policyholders fund in the wider interest of the community.

MISSION:

“To remain the leading insurer in the country by extending the benefits of insurance to all sections of society and meeting our commitments to our policy holders and the nation”.

QUALITY POLICY:

To ensure satisfaction of our valued policyholders in processing new business, providing after sales service and optimizing return on Life Fund through a quality culture and to maintain ourselves leading life insurer in Pakistan.

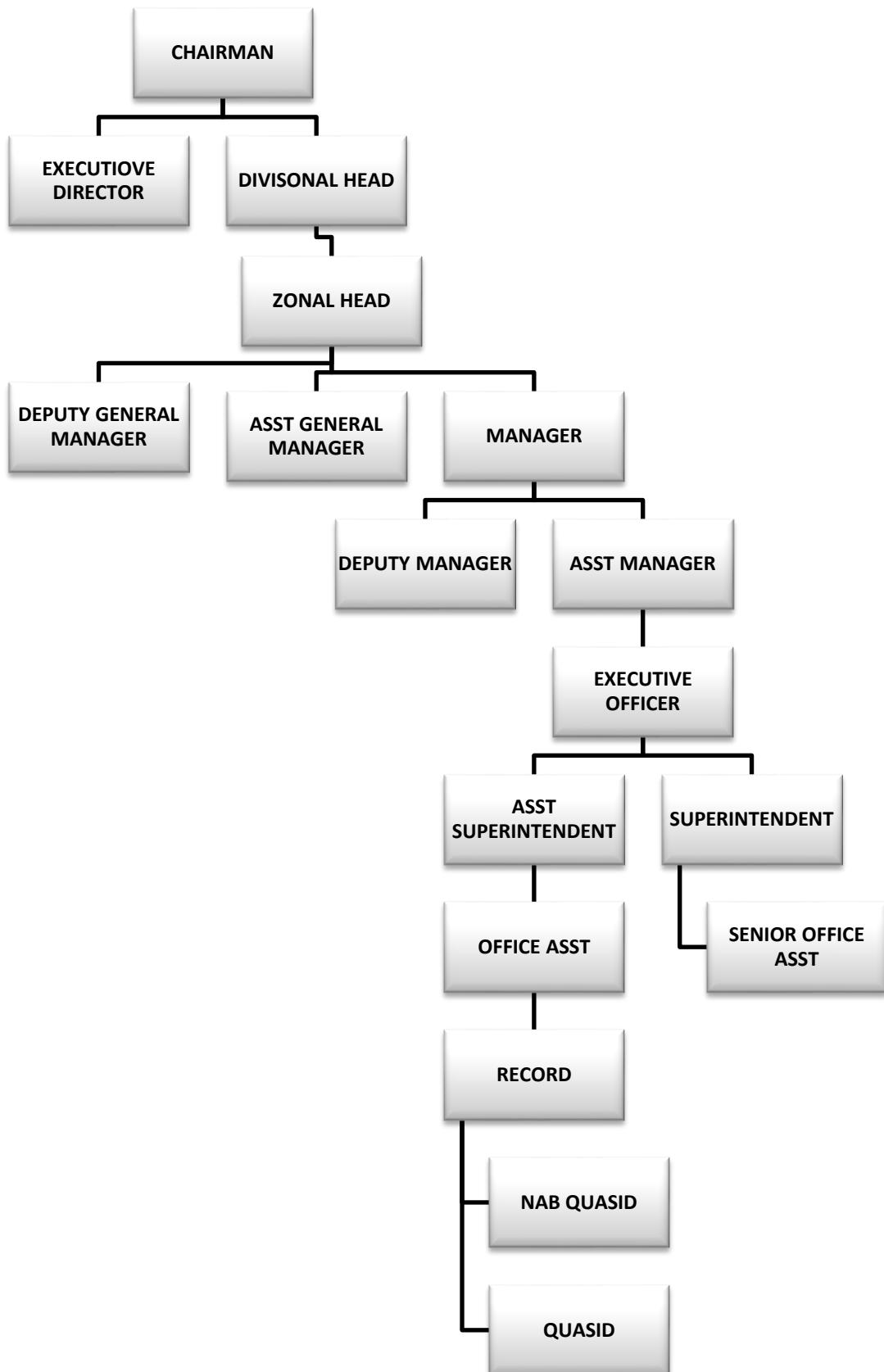
ORGANIZATIONAL STRUCTURE:

It is headed by CHAIRMAN who is a CHIEF EXECUTIVE of the corporation and appointed by the government the other administrative level and authorities is given below:

▪ MANAGEMENT HIERARCHY



▪ ORGANOGRAM



DEPARTMENTS OF STATE LIFE

VAST FIELD

3

- PERSONNEL & GENERAL SERVICE DEPARTMENTS
- AUDIT DEPARTMENT
- POLICY HOLDER & SERVICES DEPARTMENT
- NEW BUSINESS DEPARTMENT
- AGENCY DEPARTMENT
- FINANCE & ACCOUNTS DEPARTMENT

CHAPTER NO. 3

DEPARTMENTS OF STATE LIFE INSURANCE:

SLIC has following departments which performs the different functions of SLIC. These departments are;

- a. Personnel & General Service Department
- b. Audit Department
- c. Finance & Accounting Department
- d. Policyholder Service Department
- e. New Business Department
- f. Agency Department

A. PERSONAL & GENERAL SERVICES DEPARTMENT

▪ GENERAL SERVICES

Procurement

- Purchase of goods and services
- Uniforms
- Communication
- Other services

Maintenance

- Office machines & equipment
- Furniture & fixture
- Transport & conveyance
- Telephone and telex
- Receipt and dispatch
- Assets register
- Service like canteen security and cleanliness

B. AUDIT DEPARTMENT

Audit department of state life does internal audit of transactions which occur on daily basis. Management of any organization is responsible for ensuring that proper accounting records are kept and its assets are safeguard. To best discharge this responsibility instituting a system of internal control is essential to ensure that work is properly carried out by the employees. The organization then relies on its system for the production of reliable management information and the financial accounts, and to prevent ***Error ,Fraud & Loss of Organization's Assets*** actually internal audit is a part of internal control.

C. POLICY HOLDER & SERVICES DEPARTMENT

PHS department performs following functions.

- Renewal or revival of policies
- Alteration in the policy
- Payments of death claims
- Payment of maturity claims
- Payment of injury claims

Procedure:

State Life insurance policies provide wide range of benefits in case of death of the persons covered against them. If loved one covered under any of State Life has expired, you should lodge a death claim with state life. All you have to do is to send a written intimation to the zonal office of State Life servicing the policy against which you are lodging a death claim.

State life will, after evaluating the case, contact for other required documents for processing of death claim.

D. NEW BUSINESS DEPARTMENT

New Business Department is responsible for processing the new business introduced by the sales force. It has various sections to perform the different tasks relating to the acceptance or rejection of risks for life insurance, the proposals are received and initially is checked in all respects.

▪ PROCESS OF DEALING WITH NEW CUSTOMER

- First of all sale rep motivates the customer to take policy.
- Then sale rep fills proposal form for that customer.
- Then sale rep takes Rs 500 as token money as underwriting fee for customer.

- Then proposal form come in new business for allotment of proposal number where proposal number for a particular customer is allotted.
- Then process of underwriting is done. If the customer fulfills the requirements of underwriting then further process continues otherwise request is rejected and underwriter suggests some other alternative.
- If underwriter accepts the proposal then calculation of premium is done.
- After the calculation of premium the policy number is allotted and policy bond is issued to customer.

E. AGENCY DEPARTMENT

The agency administration results, trained, promote and provide services to its field workers so as to ensure them skilled profession, sound career, handsome income and many fringe benefits to ease their life. Service provided by the SLIC is tangible and therefore are not acquired at the counter by the people, who need it so it must be sold them through persuasive method. Field force of SLIC is tangible and therefore is persuasive method. Field force of SLIC plays an effective role in selling of intangible products. In order to maintain record of the field force agency department was established.

F. FINANCE & ACCOUNTS DEPARTMENT

This department maintains the record of all the cash transactions. It prepares payroll for the regular employees and disburses the amount. It also takes care of the fringe benefit such as medical facilities provided to the office staff. Commission that is paid to sales representatives, sales officers and sales managers are also calculated and paid through this department.

To keep the corporation on financial track balance sheets and income statement also prepared on annually, monthly and weekly basis. The principal office sends annual budget to the department and department is responsible for proper utilization of cash disbursements. The department also send budget forecast for new budget proposal.

Payment on behalf of the other zones and preparation of bank reconciliation statements are also function of this department.

This department consists of following section:

- Commission
- Salary
- Disbursement
- Loan
- Cash counter

PERSONAL WORKING & LEARNING EXPERIENCE

GAINING EXPERIENCE

4

- BANK RECONCILIATION STATEMENT
- DAILY CASH STATEMENT
- PAYROLL SLIP

CHAPTER NO. 4

PERSONAL WORKING & LEARNING EXPERIENCES:

During internship period in State Life, I learnt the following things in different perspectives of Public Administration, Finance, Business Communication and Organizational Behavior.

A. BANK RECONCILIATION STATEMENT:

Bank **reconciliation** is a process that explains the difference between the bank balance shown in an organization's bank statement, as supplied by the bank, and the corresponding amount shown in the organization's own accounting records at a particular point in time.

From time to time the balance shown by the bank and cash column of the cash book required to be checked. The balance shown by the cash column of the cash book must agree with amount of cash in hand on that date. Thus Reconciliation of cash balance is simple matter. It does not agree it means that either some cash transactions have been omitted from the cash book or an amount of cash has been stolen or lost. The reason for the difference is ascertained and cash book can be corrected. So far as Bank balance is concerned its reconciliation is not simple at all. The Balance shown by bank column of cash book should always agree with the balance shown by the Bank Statement.

▪ **HOW TO PREPARE A RECONCILIATION STATEMENT**

The Following rules must be adopted to make a Bank Reconciliation Statement:

- Check the Cash book Receipt and payment against the bank statement.
- Items not ticked on either side of cash book will present those which have not yet passed through the Bank Statement.
- Make a list of these Items.

- Items not ticked on either side Bank Statement will present those which have not passed yet through Cash book.
- Make a list of these items.
- Adjust the cash book by recording therein those items which do not appear in it but which are found in the Bank Statement, thus computing the correct balance of the cash book.
- Prepare the bank reconciliation statement reconciling bank statement balance with the correct cash balance.

B. DAILY CASH STATEMENT:

I also worked upon the Daily Cash Statement (DCS) of amounts collected from immigrants by Staff appointed by SLIC on Cash Counter. It a thorough record of all amounts collected in proper accounting form. Amount collected on daily basis is properly recorded and maintained in the Register and Books of Accounts of Finance & Account Department.

Amounts credited in the Account of State Life are properly shown in this in proper column form in Chronological order. By this Statement, A date wise record is very easy to maintain in order to deal with further accounting process. It can be really lucrative while conducting audit of the Accounts whether External Audit or Internal Audit

C. PAYROLL SLIP:

Payroll is a slip upon which total additions and deductions are applied to pay the PAYABLE SALARY to Employees of SLIC.

In Basic Salary, Following additions and deductions are made:

▪ ADDITIONS:

- Bonus
- Conveyance Allowance
- Medical Allowance
- Utility Allowance
- House Allowance
- Entertainment Allowance
- Commission
- Overtime Payment

D. POLICY HOLDER SERVICES:

PROCEDURE OF DEATH CLAIMS IN GROUP LIFE INSURANCE:

- **Procedure to lodge Death Claims**
- **Procedure/requirements for the settlement of death claims**

Death intimation, on death of any government employee, the department / employer sends the written death intimation to the In-charge Claims concerned G&P zone along with the death certificate.

- On receiving the death intimation, the department / employer would sent the claim forms 'C' & 'D' by the claim department of the Group & Pension Zone.
- The Department / employer is required to fill in the claim forms 'C' & 'D', properly sign and stamp them and send them back to the concerned G&P zone, along with the following requirements.

1. Death certificate, issued by Local Municipal body, Cantonment bodies, Union Councils, Services hospital, Government hospitals, Semi Government hospitals, Railway hospitals and Trust hospitals (any one of the above). In case of tribal areas, the death certificate issued by political agents, Commissioner, Assistant Commissioner, Magistrate Class-I are also acceptable.
2. NIC of the deceased and the claimants (attested photocopies).
3. Pension book in original for post retirement death (the same would be returned back after verification).
4. Attestation: All the photocopies must be attested by the concerned Gazette officer.

NOTE:

- The provision of all above requirements would ensure the quick settlement of the claims.
- Deficiency of any one of the above would result in the delay in the claim settlement.

COMMERCIAL GROUPS:

▪ Procedure/requirements for the settlement of death/disability claims

1. Death intimation: The policyholder/employer is required to send the written death intimation, to the In charge Claims of concerned Group & Pension zone.
2. On receipt of intimation, after necessary checking, the necessary claim forms would be sent to the policyholder/employer by the Claims department of the Group & Pension zone.
3. The policy holder/employer is required to fill in the claim forms, properly sign and stamp them and send them back to the G&P zone along with the following requirements.

▪ For Death claims

1. Death certificate, issued by the local bodies, cantonment board, services hospitals, government hospitals, semi government hospitals and railway hospital. (Any one of above)
2. Last attending physician's statement.
3. Post Mortem report and FIR/police investigation report in case of Accidental death benefit.

a) For age proof

1. School/college certificate showing date of birth
2. National Identity card
3. Valid passport
4. Discharge certificate (in respect of ex-defense forces Personnel)
5. Certificate of age by the policyholder organization
6. Birth certificate issued by local body/cantonment board
(Any one of the above)

b) For disability claims

1. Employee's statement.
2. Employer's statement.
Attending Surgeon's statements.
(Claim forms A, B, and C, respectively).
3. X-rays and medical investigation reports etc, if any.
4. (All the photo copies must be attested by the concerned Gazette Officer).

5. The provision of all above requirements would ensure the quick settlement of the claims.
6. Deficiency of any one of the above would result in the delay in the claim settlement.

COMMUNICATION WITH NOMINEES:

While working in Policy Holder Section of State Life, I also learnt how to communicate with the nominees of Emigrants Insurance nominated by Emigrants. For this purpose, Emigrants Insurance Certificates are dispatched and posted to the concerned nominees. **Form G** is a form that contains all the information of emigrant regarding his complete name, Father's name, address, age, address abroad & profession etc. Nominee is also nominated in this form.

All the certificates of Insurance are sent to Nominees at postal address written on **Form G**. Nominee, in case of any mishap, may claim amount of Policy. The amount of claim may vary situation to situation.

E. BONUS ISSUES (Public Administrative Perspective):

State Life distributes its profits among its policyholders & Employees every year in the form of bonuses. Bonuses are credited to the account of the policyholders and Employees paid at the time of maturity. Bonus is declared as a certain amount per thousand of sum assured.

In July 2013, a critical situation arises when every employee was curious about receiving amount of Bonus. But Bonus was not declared at all by the Higher Officials. So Miserable Employees found a feasible way to get the Bonus that was **STRIKE**.

Employees went on Strike and they stopped the work. Every body in office was just wandering by putting on Black Ribbons on Arm. It was a way leading to Organizational Chaos.

▪ REASON FOR DELAY IN BONUS

Probably the reason behind delay of Bonus was that Chairman had completed his course of job. New Chairman had not yet appointed, selected or nominated. So no body wanted to indulge in this risk of declaring bonus without Chairman.

▪ SOLUTION DONE BY CONCERNED AUTHORITIES

Finally, A subterfuge was adopted by the Higher Official of SLIC in order to eliminate the element of Strike. It's was all about ADVANCE SALARY which was given to all employees of SLIC so as to meet their Expenses.

CONCLUSION

From the above brief and wide discussion, I have come to the point that SLIC insurance plays a vital role in present insurance market in Pakistan. The gross premium of the company is increasing persistently. It was an interested experience to do internship in State Life Insurance Corporation. The staff is highly cooperated and due to their help, I have learnt big deal about insurance sector.

I suggest that such an internship program highly integrative for the students of management so that the students should be enquired with the knowledge of practice world .I do summarize that it would be a great help to me in selection of job or future field of work.

The End