SELECTION OF LIFE AGENTS: A CHALLENGE FOR THE INDIAN INSURANCE INDUSTRY

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Abstract

This study was conducted to explore changes in the management of agents in the liberalized economic scenario. The major focus of the study was to identify the competencies necessary for a successful agent and to provide objective methodology for selecting the effective agents. The Semi-Structured Interview technique was used to assess the competencies of the agents. The sample for this qualitative research consisted of fifteen successful Life Insurance agents in the age range of 28 to 47, plus Domain Experts, Representatives from the Insurance industry, and the customers of eight successful agents. A thematic analysis of the interviews was done. The findings of the study indicate to some extent the professional competencies necessary for successful Insurance agents. The research also highlighted the analysis of industry and domain experts in the selection of effective agents, how to manage agents, and how to develop effective competencies for an Insurance Agent.

Introduction

The opening up of the Insurance sector in India has created opportunities for a number of international Insurance firms to enter the market. One of the critical success factors of Insurance companies worldwide - particularly the life Insurance business - is the agency distribution strategy. The agency strategy requires recruitment, selection, training and motivation of a large number of people who operate as agents.

"An agent is someone who legally represents the insurer and has the authority to act on the insurer's behalf' (Dorfman 1978). An agent is not an employee of the organization. An agent could represent one insurer or a group of affiliated insurers

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(referred to as multiple line exclusive agency). Most agents work in clearly demarcated geographical boundaries. In some cases, insurers employ agents on salary. Life Insurance agents typically work under a contract with one insurer. In the Indian context, the regulators have clearly provided that an agent shall represent a single insurer only. The regulator, IRDA, also makes provision for an institutional Agent. This may help the distribution of Insurance Products in a scientific way and bring in professionalism in Insurance marketing.

A Life Insurance agent is required to solicit and procure new life Insurance business, in a manner, that in consistent with the interest of the consumers and of the Insurance company (Insurance Institute of India, 2000). For this purpose, an agent would require to do the following:

Contact prospective customers, understand their needs and motivate them to buy a product.
Complete all formalities related to the purchase.

Keep in touch with the customers to make sure that renewal premiums are paid.
Assist in claim settlement.

Prior to liberalization the Life Insurance Market was characterized by:

a. a single life Insurance producer
b. all life Insurance sold through middlemen via agents
c. very high emphasis on quantity without quality. Only popular plans sold.
d. A number of part time agents: many of them employed in organizations
e. Benami agents: the registered agent is different from the person who is selling the Insurance policy.
f. Agents offering rebates/commissions on sales (though this is prohibited by the legislation, it is difficult to enforce) (Sitharamu, 1999)

The post liberalization scenario has meant substantial market expansion, focused penetration; upgradation of technology fine tuned to international standards; product innovation and development by designing appropriate covers; improved customer focus and better service standards. In this environment, effective selling is a critical factor for competitiveness. Given the fact that world over, Insurance is always sold, never bought, the role of a life Insurance agent in a country like India acquires interesting dimensions. One of the visible changes is the metamorphosis of the agent into a financial advisor —not only do agents sell Insurance products, they also advise customers on tax savings and general investments. The changing role is likely to demand a new set of knowledge, skills, and attributes from agents who operate in the competitive environment.

Certain internal and external factors appear to be contributing to the effectiveness of agents. The external factors include good telecommunications facilities, wide product range, efficient delivery systems to strengthen the existing processes etc,. However it is the internal factors like aptitude, personality, abilities and other psychological variables which seem to make an effective agent. These internal factors are referred to as competencies. The earliest definition of competencies was provided by McClelland (1973), in which he referred to competencies as *components of performance associated with "clusters of life outcomes"*. This definition viewed competencies very broadly as any psychological or behavioural attributes associated with success. Boyatzis (1982) defines competencies *as an underlying characteristic of a person that leads to or causes superior or effective performance. O*thers define competencies as Knowledge, Skills, Abilities and other characteristics (KSAO's) that differentiate high from average performance (Athey &Orth, 1999). The research reported in this paper intends to explore the role of competencies in making effective agents in the Indian context.

Review of Literature

The popular literature (iia website) appears to indicate that successful Insurance agents require two traits — empathy i.e. the ability to understand a client's feeling and attitudes, and hard work i.e., not easily discouraged and being persistent. The Occupational Outlook Handbook 2000-2001 published by the Bureau of Labor Statistics, U.S. Department of Labor has identified some characteristics of Insurance agents. According to the handbook, Insurance agents should be enthusiastic, confident, disciplined, hardworking, willing to solve problems and be able to communicate effectively. They should be able to inspire confidence in the customer. Since they work independently without supervision, they should be able to plan their time well and have the initiative to locate new clients.

The influence of personality factors on effective performance has been well documented in literature (Barrick & Mount, 1991). More specifically, conscientiousness and extraversion, two dimensions of Big Five were positively correlated with the job of a salesperson. In all the studies mentioned, the performance of the individuals is linked to a job. But the work of an Insurance agent is not a job.

In a study of over 144 agents working for over 19 companies in the USA, the authors (Greenberg, Weinstein, Sidler, 1996web) used a psychological test to assess the personality characteristics of Insurance sales persons, and identified the assertiveness trait as an indicator of high ego drive, which is a requisite characteristic for Insurance sales success. This study was however based on an *a priori* set of personality characteristics that are generic in nature.

The literature from the crop Insurance sector (Crane, 2000) appears to provide some indicators for effective crop Insurance agents. The important skills identified are

ability to work well with people, professional attitude, high morale, integrity, strong communication skills, strong work ethics, good business sense, commitment to education and life long learning, service oriented attitude and self motivated. The author is prescriptive and there is no empirical support provided to validate the skills identified in the article. In another research done on assessing voluntary turnover likelihood using personality traits, the authors (Parks & Douglas, 1999) indicate that agents with higher levels of performance in terms of commissions and higher levels of assertiveness and emotional intensity were more likely to remain actively employed. This study was therefore undertaken to provide empirical data which would help insurance companies in selecting and training life agents.

An Insurance agent is not a job in an organization; it is an entrepreneurial activity with a symbiotic relationship with an organization. Given the unique nature of the relationship, which is not a typical employer-employee relationship, the existing literature in the Indian context appears to be weak.

Objective of the Research

The purpose of the research was to

A. Understand the expected changes in the area of agency management in the liberalized context

B. Identify the competencies required for an effective Insurance agent in India as perceived by the agents, the customers and the organization.

C. Provide suggestions for effective selection of agents for both the existing and the new Insurance companies.

The in depth interview with the experts was free flowing and broadly covered the following areas:

Changes foreseen with the changed Insurance environment in India in the agency system.

Their experiences with systems in the developed countries

Their understanding about the requirements for effective agents in the Indian Insurance market.

The interview schedule for the organization focused on

The attributes that the organizations look for while hiring agents

The current structure of the agency system and performance of agents (for existing organizations)

The semi-structured interviews with agents covered the following areas:

Current roles and responsibilities as an agent

Post liberalization changes in the market affecting the work of an agent

Critical incidents of successful experiences and unsuccessful experiences to

understand the behavioural competencies demonstrated by the agents
Perceived areas for improvement in the new context
Assessment about effective and ineffective performance of other agents — their peer agents

The interviews with agents' customers looked at the following areas:

Experiences in dealing with their Insurance agent.
Critical incidents relating to positive and negative experiences with the agent

Sample

Fifteen successful life Insurance agents (based on consistency of performance on two parameters: sum assured, and premium collected over the past 5-year period) were interviewed. The age of the respondents ranged from 28-47 and there was only one female respondent who participated in the study. Each interview lasted for 60 - 90minutes and explored the above mentioned aspects. However, the meetings with the experts ranged from 120 - 150 minutes and were largely open ended. Customers of eight successful agents were interviewed. Transcripts of the interviews were made and they formed the data for the analysis.

Analysis

A thematic analysis of the transcripts resulted in the findings presented below. They are clustered according to the sample of respondents.

Domain Experts:

The experts were from different backgrounds related to the Insurance sector — academicians, actuarial professionals, policy makers and marketing professionals. The purpose of the interviews was to explore the changes that are likely to impact the growth of the agency system in India, their experiences based on developed countries and the unique aspects of the Indian Insurance market. . The discussions can be summarized into the following five themes:

a. With the opening up of the sector, competition is likely to intensify. The intensification of competition will result in survival of the fittest and hence only those Insurance agents who have the capability and competence are likely to survive.
b. The mortality rate of agents over a five-year period is high. Some indicative figures in the current scenario indicate that out of 100 agents, only 4-5 agents turn out to be effective agents over a five-year period. While turnover rate of agents is fairly high worldwide, this is unlikely to be an issue in the Indian market at least for another 2-3 years.
c. Insurance companies will need to invest heavily in developing a good agency network. This should include a more scientific selection of agents, innovative incentive schemes, continuous training, differentiated rewards and recognition.

d. Technology will increasingly be an enabler and therefore the role of the agents is likely to change. Many Insurance agents may market their products/services through the Internet as is presently done in developed countries.

e. There is a need for greater professionalism of the Insurance agents. The regulatory authority,IRDA, has already made 100 hours of training compulsory for recruitment of new agents and a similar process for renewal of agency. Further, the IRDA Act provides for accreditation of agents by a Life Insurance Council, as and when formed. The council will consist of regulators of the Insurance sector and other experts.

The five themes provided a background for interview with the agents. It was felt that since the agents were the primary actors in the system, it would be necessary to look at their perception and understanding of their own roles and future.

Agents

Content analysis of the interview transcripts revealed some interesting patterns.

a. The following set of responses emerged to the question on the roles and responsibilities of a life Insurance agent in the present context: All the agents listed a set of activities that they performed, namely:

Identifying potential customers
Understanding their needs and determining the policy
Timely delivery of policies/collection of premium
Reminding the customer about the premium due
Servicing claims
Offering appropriate products/services depending on their requirements

The agents defined their roles and responsibilities in terms of tasks and activities.

b. Based on the critical incidents the following competencies emerged for effective Insurance agents:

1. Communication Skills and Customer Empathy:

All the respondents mentioned communication skills as a key requirement for effective agents. Communication skills covered a variety of areas: it includes the ability to listen to customers, ask the relevant questions sensitively, understand their needs and current financial situation, arrive at a final product/service which the customer needs, making the customer understand what is not covered by a product, and speaking in their native language.

As Agent 'A' mentioned

> "We meet different kinds of customers—those that use a life Insurance policy as a tax benefit, those that are scared that they would leave their families as destitute should they die, those that are influenced by others –given a choice they would not have voluntarily opted for a life Insurance product but due to family/peer pressure they are buying the product. The greatest challenge is to continue to maintain a relationship with each of these groups. It calls for excellent communication skills".

Agent 'B' had the following example to narrate:

> "Some customers expect me to share just enough information about the product and the expected financial pay–out they have to make; some others expect me to provide not just information about my product but also about other products in the market; others expect me to provide information/advice about financial investments in general; some others expect me to remember and enquire about the family issues that they had shared with me during my earlier meeting... After eight years, I now maintain a diary of each and every customer and I have started sending cards for their birthdays and wedding anniversaries. Many people seem to enjoy this gesture. They have also started recommending me to their families and friends"

Several agents explored the theme of the need for good communication skills. Agent 'C' summarized the experience as

> "Earlier I used to talk a lot because I thought I was a salesperson; but now I listen a lot because I know I am a doctor. I need to listen to all that they say and finally suggest a solution which is most acceptable based on their need, their ability to pay and the coverage needed."

The three aspects of communication, which emerged, were active listening, coherent content–based talking and empathy (sensitivity to the needs of the customers)

2. Internal Motivation:

The entrepreneurial aspect of an Insurance agent's role was mentioned by a large number of respondents. This arose particularly in the context of high performance agents. What appeared to motivate most of them (since money for very many of them at the present stage was not a motivator) was some inner drive. As one respondent mentioned, "When I started out as an agent, definitely money was the motivator. I could not find a job and I needed to support my family. I had a lot of friends and relatives and an uncle who was an agent suggested that I become one. It is fifteen years since and I now have all luxuries at

home, my children go to a good school and I own a house and I have an office where six people work for me. I know that no one in the family will take over the business from me. They have other interests. Yet every morning I am speaking to people, contacting more people, meeting at least four to five new people everyday... you may ask what motivates me. What motivates me today is that I believe that life Insurance is needed for everyone. One of my close relatives who took a policy from me mainly because I pestered him to buy a policy from me died recently. Thanks to the life Insurance policy, they have a roof over their heads and the children can go to school. After this incident, I became more motivated. I do more business than ever before".

While the lucrative commissions formed a significant motivator for many individuals, many agents spoke of the need to achieve something, the need to go beyond what is required as targets, the need to prove to themselves that they are capable of performing better. A few mentioned that the organizations that they represent have an exclusive club of high performers identified every year and once they were a part of the club, it would be matter of great shame to them if they were not a part of it the following year.

3. Perseverance:

The ability to continue to go back to customers who once said 'no' is a quality, which emerged across most interviews. Many of them said that when customers said NO they largely mean NO at that point in time and not a 'NO' forever. One of the respondents drew a fine line between "pestering and perseverance". The difference lies in discriminating between a customer who says NO and means NO and a customer who says NO and means maybe later.

"I was targeting a customer for two years and during that period he didn't buy a policy. He was going through some financial difficulty. Suddenly a year later (three years after I first met the customer) he called up to ask for a policy. I think he felt he had to buy the product from me because I had spent so much time and effort on him."

Some agents attribute the high mortality rates of the agents due to lack of the attribute of perseverance.

Emerging themes

Some attributes were provided as contra-indicators for effectiveness. Most agents mentioned lack of personal integrity as a characteristic of ineffective agents. Some agents use the cash collected to make investments in some financial transactions; some others keep cheques pending so that their quotas are met. These examples were mentioned to illustrate lack of integrity as an agent.

A number of agents mention that they provide incentives to customers through discounts. The Insurance Act prohibits sharing of Agent's commission with the investor. This is a punishable offence; it appears however that this is a widely prevalent practice.

Some of the high performing agents mentioned their social relationships as significant contributors to their effective performance. In many communities, there exists greater trust within the community members. Insurance agents who belong to the particular community/region tend to gain access and sell products within their communities. Some of these community-based transactions are enough to ensure that the agent exceeds his targets annually. One of the agents mentioned, " I belong to a community of traders. When I began my career as an agent, I sold first to my immediate family. Then gradually my cousins began to buy from me and today about 85% of the members of my community based in Bangalore buy from me". The other social groups include lawyers and chartered accountants.

Only one agent mentioned the importance of information technology in the agency business. He uses email to communicate regularly with his clients and has used it to generate business also. The agent mentioned

"Emails seem to generate better response from the younger age group of customers. I got a list of email addresses from my friends and the business development officer of the Insurance Company. I sent out email to all of them and got a good response"

A sample of the email was shared with the authors and it was interesting to note that the email contained generic financial planning advice to the customer. It provided information on the various tax benefits that the customer would enjoy if he/she purchases the life Insurance product. The mail had a brochure component that provided information about the agent—the range of services offered, the past experience of the agent and the contact address, phone numbers and email IDs.

Let us now, by comparison, look at the responses from organizations and customers.

Organization Response:

The organizations that hired the agents expected them to act as:

Business consultants: They would identify potential customers, gather the information needed to arrive at a meaningful policy, provide continued customer relationship management and identify opportunities for the organization to provide more relevant and meaningful products.

Business ambassadors: As one Development officer mentioned "we would like to see the agents as representatives of our corporate culture. They should epitomize the way we work"

Information providers: They are expected to provide market information about competitors and current product requirements.

Sales persons: Delivering and exceeding targets on an ongoing basis.

The personal competencies required by the agents as mentioned by the respondents appeared like a wish list. The following attributes were mentioned:

Numerical ability
Customer empathy
Product information
Verbal skills
Logical/reasoning skills
Interpersonal skills
Ability to influence customers
Ability to understand the needs of the customers
Ability to discriminate between products and client needs
Motivation

Customer Response:

The respondents in this group felt that the role of an agent was to provide services efficiently. This included

Timely reminders.
Prompt delivery of documents.
Immediate settlement of claims.
Periodic follow up.
Accurate information related to products.
Sensitivity to the personal aspects and confidentiality of information

To sum up the personal competencies, a customer illustrated the following experience:

> "An agent got in touch with me in May last year. Since I had filed my tax returns, I told the agent to contact me in December. On the very first day of December, I received a call from the agent. He mentioned "you may not remember me, but I was the person who called you in the month of May and you asked me to get in touch with you in December." This prompted me to buy the policy from him. What I liked best was the manner in which he followed up. He could have called me up in between and tried to remind me. He didn't do that and in fact, it was only when he mentioned December that I remembered the incident."

All the customers interviewed have had a relationship with the agent for over five years. They believe that the agent is privy to a lot of personal financial information, which they are unlikely to share so easily with a new agent. In some cases, the agent is also a financial and tax advisor for the client.

Discussion

In the present study, an attempt was made to understand the changing role of Insurance agents in the Indian context. A clear understanding of the changes in the life Insurance sector emerged through the exhaustive discussions that were held with the domain experts, academicians, actuarial specialists and industry persons.

The role of agents as perceived by the domain experts was documented. The dominant factors that emerged out of the discussion were the likelihood of a changed role of the agent in the Indian context due to technological changes. It is interesting to note that except for one agent none of the others viewed technology as a business requirement for themselves in the future. Our findings from organizational respondents also did not seem to indicate any specific attempt by the organization to hire computer literate personnel. This is a cause for concern since technology has been an enabler to the life Insurance business in developed countries.

The high mortality rate of Insurance agents in India needs to be seen in the context of a largely monopolistic market structure. With no competition, it was possible for organizations to tolerate such high mortality. In the current context, it is expected that organizations will emphasize measurements of performance, thereby ensuring that the non-performers are weeded out of the system. It is also possible that several joint venture partners will bring best practices related to agents that exist in developed countries. This would result in developing a more professional culture of the agency system. This would also mean that part time agents are unlikely to survive in the new environment. Organizations are likely to invest in motivated full time agents.

The main focus of the study was on understanding the competencies required for effective agents. The following competencies emerged as significant contributor to effective agent performance:
communication, customer empathy, motivation, perseverance, numerical ability, product knowledge, verbal skills, logical/reasoning skills, interpersonal skills, ability to influence customers, Ability to understand the needs of the customers, ability to discriminate between products and client needs, timeliness, promptness, follow up and confidentiality. Some competencies emerged as critical across all groups— *customer empathy, communication and motivation.*
Based on these competencies, organizations can select, train and develop effective agents.

One of the interesting findings of the study was the role of the informal community based networks in determining the effectiveness of agent. In a multi ethnic, multi cultural society like India, it is natural that these informal groups play a significant role.

The gap in perception of the role of the agent between the organizational respondents and agents requires attention. Organizations appear to view agents as an extension of them in the market place; the agents however view themselves as distributors of

products of the organization. If organizations need to foster their cultures among the agents, they need to recognize and reward agents and create in them a sense of ownership and belonging to the organization.

Scope for Further Research

The study being exploratory in nature has provided basic information about the competencies required for an effective agent. These competencies will help to develop the test specifications, that is, the plan that specifies which knowledge, skills, abilities and other characteristics will be measured in the test and how much weightage each would carry in the final composite measure of an agents' ability to perform. This will result in a better selection process in organizations.

There is a need to understand the relationship between the competencies and performance in the specific context of an organization longitudinally to be able to make valid inferences.

A bundle of competencies have emerged as significant for effective performance of agents. There is a need to validate the findings empirically through a larger study.

Conclusions

The application of the findings of the study can enable organizations to recruit agents based on critical competencies. A good selection process along with systems to manage and develop the agents through better training, innovative rewards and recognition and through enhanced opportunities for closer interaction with the organizations purpose can result in a strong, vibrant and effective life Insurance sales force in India.

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