

LIFE INSURANCE TRAINING AND TRADITIONAL CULTURE

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Abstract

In the past decade life insurance, forbidden in China from 1956 to 1979, has grown enormously, outperforming the growth in GDP. The use of agents to call on potential customers was introduced by a foreign insurer in 1992 and became a big success. Chinese insurers wanted to copy this success. But what they neglected were the important linked issues of morality and the role of traditional Chinese culture in influencing potential buyers. Morality and culture are important for foreigners doing business in China, for Chinese insurers too, but also for a growing number of Chinese insurers who are beginning to trade overseas.

Introduction

Nearly ten years ago the first foreign insurance company began marketing its products in the big new Chinese metropolis, Shanghai. It used sales agents to do this. Chinese insurers were very curious about this venture and directed much attention to it to see how it would progress in practice. They were soon astounded by the foreign company's success. In the first year (1993) the agents sold over 10 million Yuan's worth of life insurance. In 1994 it was 100 million, and in 1995 sales reached 3 hundred million!

The Chinese insurers hurried to copy the success of this newcomer. As a Chinese poem says: "All of a sudden, three branches are covered with snow, like pear blossoms coming out under a night Spring breeze". In many Chinese cities, OICC CPAC and China Pacific Insurance Company (CPIC) began to recruit people with the talent to be able to sell life policies on a one-to-one basis. In China, this method of marketing is known as the Individual Insurance Marketing System (elsewhere it is often called 'direct selling').

Insurance was once banned in China, from 1956 to 1979. At the beginning of the 1990s life insurance was still a strange concept to Chinese people. In the early years of the Individual Insurance Marketing System, the new sales agents had not

received any professional training. They were given product material by their companies and then went into the streets to find acquaintances, potential customers.

After ten years of this form of selling, the situation has greatly changed: most provincial Chinese insurers have set up Training Departments. These have been accorded priority by the General Managers of those companies, in terms of attention and resources, as the training of agents is seen to be a pre-requisite for the successful growth of life sales, in number of customers and premium income.

This growth in professionalism, through the provision of essential training, is a welcome development. However, the training methods originated in U.S.A., and have not been adapted to Chinese culture.

Some Features of Life Insurance Sales Training

The training of life insurance agents is not so different from education in schools, but is better compared to learning how to drive a car for it is vocational training for adults rather than pedagogical education. It is a kind of composite art, combining the learning of insurance knowledge, sales skills, sales attitude, and habits. Though these principles of KASH (knowledge, attitudes, skills, habits) were taught to agents by instructors from Hong Kong or Taiwan, probably more attention has been given to sales training in China than in those two territories.

The training of Chinese life insurance marketing training has been improving more rapidly recently than in the early years when the individual marketing system was first introduced. Product packs are given to agents plus simple training; some agents are sent to foreign companies to take a quick look; and short periods of training are given by instructors from Hong Kong or Taiwan.

Although much attention has been given to training the outside agents, the inside staff and senior officials do not have enough training. One consequence is that officials without any insurance education background are in charge of management, often in high positions. Thus in some Chinese insurance companies, some staff occasionally complain that lay people are leading experts.

However, the major problems affecting the training of life agents is the neglect of moral issues and culture. These two interlinked issues will now be explored, beginning with a moral example, an anecdote which sets the scene for what follows.

A Moral Example

In a training class where insurance knowledge was being learnt by the agents, a provincial branch of an insurance company helped a new agent to cheat in one of the qualification tests now needed in China to be able to operate as an agent. This new agent, a seemingly excellent sales person in a Company, who was held up as an example, was actually an uneducated woman from a village. It can be imagined what the other agents thought when they saw their Company in effect cheating customers, even though they themselves are required to gain the qualification and are urged to include trust in all their dealings with customers.

Training life sales agents is to train adults, who have their own thoughts, own standards of morality, and own values. It is not easy to change such personal characteristics, if change is needed to be fit and proper persons to sell life insurance. The first essential is for the training to be so effective that there is successful internalisation of the moral standards required: if that is not achieved then the other aspects of the training will not be fully effective.

This moral issue is why it is so important for companies to do what they say, to practice what they preach, for their acts to be congruent with their statements. When a company declares that it has high moral standards but then allows uneducated people with fake certificates of graduation from a high school become agents, then this is setting a bad example which will then affect the effectiveness of sales training.

The Adverse Effects of A Narrow Focus

Chinese life insurance is developing rapidly: every year it grows much faster than GDP. But there are still some problems to deal with. There are many challenges, including the need for people-management skills, capital-management skills and accounting skills, and information technology skills.

The major obstacle to the development of these skills is a narrow style of training, its narrowness due to two reasons: a narrow focus on a short-term financial measure of success; and the ways in which foreign insurers seem to operate.

As Chinese life insurance companies assess their branches according to the annual new sales premium income, the branches understandably focus on these new sales figures. This results in the following problem in training their agents. All the attention is given to agents' marketing skills, not to their professional morality. Thus the agents' focus is short-term and restricted. Once a company begins to judge a sales person according to the annual sales figures, the moral education of the agents is neglected. Money from new premiums, is the most important thing. This reminds us

of the Great Leap Forward in Chinese history. During the agents' training everyone becomes so excited to express his earnest wish in response to the question "How successful do you think you will be?"

The other narrow focus is that too much emphasis has been given to an overseas training style of life insurance marketing, without any close examination of its underlying values, with the result that Chinese culture is ignored. The big difference from foreign companies' who become localized in China is that Chinese foreign-owned insurance companies simply copy the examples of foreign companies with too much passion and little cool analysis.

It is true that foreign companies have a longer insurance history than Chinese companies and they have much more experience and resources. These can be learned by Chinese companies, but if we learn something without thinking about the context, the future will not be promising. The saying "Where there are people, there must be insurance income: where there are trees, there must be birds living" has been popular for two years in the insurance fields and has had an impact on methods of Chinese insurance marketing, and is responsible for the bad reputation of Chinese companies. Chinese traditional culture, as expressed in Confucianism, Taoism and Buddhism are the highpoints of civilization, useful for being an upright person in business as well as fighting in wars. But it is a pity that not enough time is allocated to them in the training programmes so that they could be used in selling insurance.

The Influence of Traditional Culture on Buying Life Insurance

Each country has its own local culture and national culture, which has a great impact beyond all comparison on human beings. Every day, people consume tens of thousands of kinds of commodities, among which life insurance, compared with cars, houses and home appliances, is more related to a consumer's thoughts, values, and beliefs.

The most essential feature of life insurance is to reimburse economic loss due to age and illness and for a person to have a family finance plan. So the value of life, family responsibility and other ethical issues all influence people's attitudes to life insurance. So we can say that culture has a very important function in life insurance.

During the early years of marketing personal accident insurance, the Chinese traditional thought "Men cannot choose their own lives and wealth" had a great impact on people's consuming habits, for Chinese people thought fortune could not be changed and too much worry was not necessary. The reason that a person does not want to buy insurance even if he has been urged to buy it many times may be very

surprising. It is because he remembers the “Song of Good Luck” in the famous classical novel “Dream of Red Mansion”. He thinks life means nothing. When the managers of insurance companies teach agents marketing knowledge and recruit agents, maybe the agents are thinking about Daoism - Dao makes one, one makes two, two makes three, three makes all things on the earth.

To do business in China, a country with an ancient civilization, we cannot ignore the influence of Chinese traditional culture. People joke that it needs to take three years to understand “Be polite” in Chinese universities, because these words contain concepts from Laozi, Daoism, Zhuxi and Chenhaos which have influenced all parts of Chinese people’s lives in the past thousand years.

“Loving each other is the most important thing” is a sentence in the book “The Analects of Confucius” which regards loving each other in families as the first essential for a human being. A person needs to be rich enough and healthy enough if he wants to love his parents and support his family, but so many unexpected things in life will happen and they cannot ensure that he will be rich enough and healthy enough. So buying certain insurance can make him support his family even if he meets misfortune.

In ancient China, someone proposed filial obedience to govern a country, and someone else proposed rule of virtue. Nowadays the old country, China, has changed a lot in facing the new coming era. The Rule of Justness is a kind of Daoism, which is useful not only in managing companies but also in marketing. It also summarises the main idea of modern business management, which can administer a company to be successful all the time in these competitive times.

To do insurance business in China, you should first learn how to be a decent person. This is what Confucianism and Buddhism ask people to do.

Life Insurance Marketing and Human Types

In the 1930s a Chinese scholar called Fei Xiaoting began to study Chinese humanism (human types). He visited some Chinese minority nationalities and analysed their religions and customs. In fact life insurance has a strong relation with humanism.

To our surprise, American International Assurance Corporation seems to have known a lot about that since it began its business in Shanghai. The development of AIG in Shanghai in 1992 was described as ‘returning to its hometown’ by some American newspapers, for AIA used to be called AIG. AIA first came to Guangzhou, Shenzhen, Fushan. All the three cities have the same features: the citizens are highly educated,

and they were especially influenced by foreign culture in the old days, and their salaries have increased fast in the recent years. Nowadays they are always ready to accept overseas culture.

Everyone knows that marketing in Shanghai is different from that inland because farmers in the country are not highly educated, and they are poor and pessimistic about their future. A market investigation in 2002 shows that 10% of Beijing citizens are looking forward to foreign insurance, but in the rural areas of Zhejiang province when people hear of foreign insurance they are afraid that national policies concerning the ability of foreign firms to trade will change, and they therefore see foreign insurance as unreliable. So for foreign companies, big cities are better areas than rural areas. In big cities highly educated and rich people are more interested in foreign insurance.

In 1997 after my investigating in Zhejiang rural areas, I found people there were more superstitious and they thought it was unlucky to talk about death and accidents. The annual life insurance premium income in that year showed that more people there bought endowment insurance rather than accident insurance, unlike the city of Shanghai.

In 1998 and 1999 I spent much time giving lectures in many cities in China. People in different places are interested in different insurance items. One reason is that people have different salaries: the more important reason I think is because of different humanism.

In the southern cities, the agents always dress smartly, even driving to do business is helpful for their sales figures. Not so in northern cities, because if the agent drives or even rides a motorcycle to their customers' homes they park somewhere out of sight lest their customers see them driving and think that they earn so much from selling insurance.

Culture's Effects on Localization and Internationalization

In 2002 a foreign insurance company launched its business in Beijing by showing an item of Chinese calligraphy "Welcome to our Company". This reflected local culture, because Chinese calligraphy is a very important part of Chinese culture. In Chinese history before pens and pencils came to China, Chinese people needed to practice calligraphy until they could write beautifully if they wanted to become government officials.

A definition of OJT formulated by the U.K. Training Commission (in Sloman, 1989). Some foreign insurance companies have paid much attention to local culture. At least one foreign company had investigated Chinese politics, culture and circum-

stances before it came to China. Moreover they also sent senior managers to Chinese cities seeking opportunities to talk with local people such as teachers, farmers, and businessmen, and even monks, in order to further understand the Chinese people's ordinary lives.

This attempt is praiseworthy, although there much more that company needs to do to achieve culture localization. Some foreign companies suffered a lot because they could not solve the problems of localization, becoming adapted to the local culture and needs.

In contrast, Chinese companies are facing internationalization, Many Chinese life insurance companies have foreign shareholders now, and they are trying to develop business abroad, so that the culture of internationalization is also a challenge for them.

China is being internationalized, becoming accessible to global companies doing business in China. The present philosophy we are using for marketing such as obeying laws and respecting employee's rights and interests will surely become a barrier of internationalization.

Foreign companies have aided Chinese famous universities like Beijing University, Fudan University and Shanghai Finance & Economics University to build insurance centres and set up education and training scholarships for people with talent. They also established good relationships with the Chinese government, and investigate Chinese markets in-depth. However, some Chinese companies idea of internationalization is just simply to find out how foreign companies do business.

It is right to be critical of the notion that Chinese culture is not good enough. But it is not right to have blind opposition to everything foreign. As long ago, Lu Xun in talking about the artist Tao Yuanqing, said that his work showed new colours and nationalism. This is the time for west meeting east. The competition between companies does have a cultural element, and this needs much greater attention and analysis in the future.