

Agency Management: The Insurance Agent And Its Role

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Abstract: The role of an agent is all about the values contribute to the insurer, the customer and the community. In general goes much beyond this contractual role. What an agent does and how their career progresses? whether they would just be also a ran, dabbling with insurance for a few months before dropping out or emerge as a star producer - member of the Million Dollar Round Table Club (MDRT) would much depend on how the agent sees himself, role and the choices made. The success or failure of agency management lies precisely whether and how it is able to transform the agent's vision, style and content of work & life.

Keywords: Insurance, Agency, Agents, Role, Opportunities

Date of Submission: -10-2017

Date of acceptance: 30-11-2017

I. Literature Review

Insurance sales agents fully understand the customers' needs and requirements as well as build a trusting relationship between themselves and their clients to promote long-term mutually beneficial relationship (Crosby et al., 1990). The agent has to deal with the dilemma between making sales (self-interest) and providing service (customer benefit) (Oakes, 1990). Customers are, therefore, likely to place a high value on their agent's integrity and advice (Zeithaml et al., 1993). Insurance agents who sell policies are not employees of the insurance companies. Rather, they work on a commission basis and thus are motivated by the volume of sales made (Annuaire, 2005). This is because; insurance agents are involved in long-term commitment and a continual stream of interaction between buyer and seller. After the sale, agents also provide follow-up service and help customers make policy changes in response to changing needs (Noor and Muhamad, 2005). The company-agent link is stronger than the agent - company link, which in turn, is stronger than the customer-company link. Customer loyalty depends on how strong the agents' link with the customer is (Balachandran, 2004). Agents are the indeed ambassadors and the backbone of the insurance industry (Malliga, 2000). At present, LIC has around 2.70 million agents and they represent more than 60 percent of the life insurance business (www.licindia.com; Lepaud, 2008). They concentrate their efforts on seeking out new clients and maintaining relationships with the old ones. If policyholders experience a loss, agents help them to settle their insurance claims.

II. Objectives of the Study

1. To discuss the problems facing by insurance agents in current scenario.
2. To identify the traits of a successful insurance agent.
3. To determine the career opportunity in insurance profession as an agent.

1. The Problems in Agent's Life:

To begin with, it may be necessary to ask the question of why so many agents fail to make a career in the business and often leave it even before they have seriously stepped onto the path. What are the challenges they face? To understand the problems in the life of a life agent, it is important to first understand their profile.

Agents come from extremely diverse backgrounds across various demographic parameters. To list some of them:

Age

As per IRDA guidelines, anyone who has attained the age of 18 years can apply for an agency license in India. Technically an Agent can start from 18 years of age and go on till 60 years and above. Differences in age also imply different levels of maturity and commitment. A person who is very young may lack both the experience and maturity needed in order to be taken seriously. The agency job is also likely to be a temporary and part time assignment to earn some extra money while one is busy preparing for something else. At very old ages, one may have much more experience and maturity, and thus able to speak with greater sense of authority, but the will and stamina to pursue a sales career may be much reduced.

Professional background

Agents come from different backgrounds and they come from all walks of life. Some are professionals like Doctors, Lawyers, CA's etc., others are businessmen and still others are non-

professionals like housewives etc. Academic and professional credentials can enhance level of confidence and scope to network. However, individuals from a high professional background and engaged in other professions may not be serious about pursuing the insurance agency as a career.

Let us look at some of the Critical Challenges faced by the agents or insurance advisors on a day to day basis:

Social Stigma

Although an Insurance advisor plays a very important role in the society by promoting financial security, the selling of Insurance products was however never considered a very respectable career in India or abroad. In fact it was considered a social stigma in the society. No parent dreams of making his child an Insurance advisor. Few parents may be eager to welcome an insurance agent as a bridegroom into their house. Indeed one may prefer as groom, a clerk in an insurance company to an agent of the same company, even though the latter may be earning much more than the former.

The reason is simple. A salaried employee, even a lowly one, has a nine to five "proper job" with a regular income. An Insurance advisor or agent is not seen as having a 'proper job'. Becoming an insurance advisor is perceived as something that one does when one has nothing else to do. Hence this career does not attract the best talent from the society. Even if someone with talent takes it up, it is quite often seen as a stop gap arrangement, until one 'finds a better job' or avocation.

This perception has been changing in recent years. Liberalization of the economy has given rise to a large class of middle income cohorts with both resources and appetite for goods and services, including financial services and insurance. The massive growth of insurance premiums has obviously resulted in massive growth of commissions and spawned attractive careers in insurance selling. With the privatization of the insurance sector and the advent of Multi-national companies, the selling of insurance has come to acquire a more professional touch. The designation itself - from agent to insurance advisor, put him of a higher pedestal of one who provides a consultative service of providing insurance and financial advice, rather than merely peddling life insurance. With the advent of products like ULIPs, the life insurance product itself underwent a metamorphosis, towards being a financial product that is more used for investment purposes and enhancing one's wealth. ULIPs have become another item in the menu of the wealth manager. Accordingly, insurance agents have also been enabled to position themselves as financial consultants.

The approach taken by many private companies have also been playing a role in changing the mind set of the society. Today lots of professionals and businessmen are taking this career very seriously.

Lack of Formal Sales Training

The second issue is lack of a formal training or inadequacy of training. As already discussed, advisors come from all walks of life, from different social and professional backgrounds. Most of them don't have prior sales exposure or training. They are not used to facing rejection. This must also be seen in light of the fact that the Insurance product has one of the highest rejection ratios. A lack of training and orientation also implies that the average agent is not very clear about why he is there, what one is supposed to do and how. This gets reflected in the style of work and approach to prospects which does not endear the agent but instead results in being rejected and even treated with derision. The consequent sense of loss of self-identity and feeling of inadequacy finally leads to walking out of the door and is one of the major reasons for high attrition among advisors in the industry.

Financial Security

The absence of any fixed income from this profession further adds on to their uncertainty. More than 60% of agent/advisors give up on their insurance career within one year's time. This is also detrimental for the principal as it creates a huge resource requirement to service orphan customers. Orphan customers are those customers for whom their agent has supposed to service for entire life span of the policy given upon his agency. This means the customer has no agent to service him. Lack of financial security is also the reason that many agents are not willing to consider the agency as anything more than a part time job which may provide some supplementary income. Indeed, many agents fall into a self-fulfilling prophecy mode, they do not believe that the job can be remunerative enough and so they do not pursue it vigorously going out of the way to prospect and seek out customers, but confine to only plucking any business that comes their way. As can be expected, in most cases, the agent fails to score. This only reinforces the belief that making money is hard.

Growth Opportunity

The role of an advisor is very specific and quite repetitive and monotonous and there is not much scope for a role change or growth in future. It takes time to prove oneself. This can sometimes be demotivating for anyone who is looking to go up on the fast track.

Being One's own Boss

One of the great advantages of an agency career is the freedom it provides. There is no regular nine to five job, no attendance registers to be signed, and no masters whose instructions have to be obeyed. One is free to work as one pleases. Along with this comes the caveat - 'if you do not work, neither shall you eat.'

The nature of the work also entails that the agent's time is not his own. He does not have the luxury of working when others are working [a nine to five job] but can only meet customers when they are free and ready to receive him- which may be late in the night or early in the morning. The irregular pattern of work can upset one's family life- one may not be available when family members, like one's children, need him.

The above set of problems and issues have combined to render the agency profession a rather difficult and challenging one. Indeed, not many individuals are ready to consider an insurance agency as a full time career. Many prefer it as a part time job which may offer a chance to make some extra money.

2. Traits of a successful agent

Let's dwell a little on what kind of background and traits contribute generally to success in the career as an insurance agent or advisor. As observed over a period of time a successful advisor has been found to come from the following traits/background:

Age: As per IRDA regulations, any individual whose age is above 18 years, can apply for an IRDA License and can sell Insurance in India, however it has been observed that most of the successful advisors fall into the Age bracket of 25 to 55 years. A candidate within this age bracket is comparatively more mature than an eighteen year old and is more comfortable in discussing serious issues like family's financial security, retirement, child education etc. This age group also has an edge over candidates who are above the age group of 55 years as the members of this group are physically better equipped to do more sales call than their more senior counterparts and hence likely to produce better sales figures.

Marital Status: It has been observed that married advisors seem to be more successful in this role compared to unmarried counterparts. The reason could be that a married candidate has more responsibilities (having a family with dependents) as he takes the profession of selling more seriously. Again a married candidate can relate to serious issues like family's financial security and retirement planning in a better way. He or she can understand and speak from own experience, hence the agent can communicate and counsel the clients more effectively.

Financial Strength: While selecting an agent, the Agency Manager needs to check his financial background. An ideal candidate should have a household Income (HHI) of Rs. 2 Lakhs or above. It would help the agent or advisor in sustaining the initial 6 months when income is likely to be irregular. The reasons for the initial irregularities are as follows:

Initial Lead Time in the Earning Cycle- The step by step process of a candidate to become an advisor have outlined as follows:

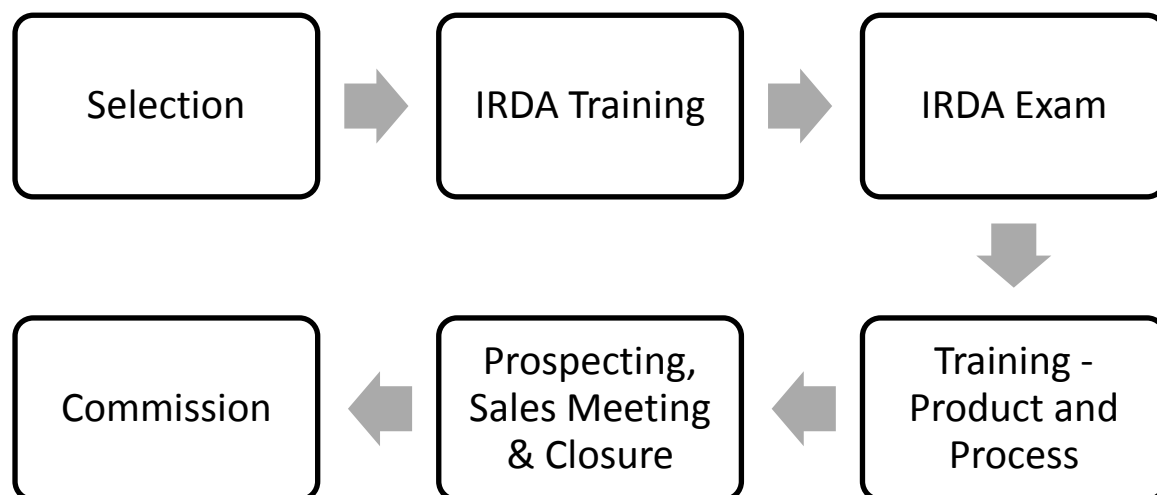


Figure 1.1: 'Selection to Earning' Cycle

Step 1: Initial Selection

Step 2: 50 hours training (7 days)

Step 3: IRDA Exam (3 to 4 days)

Step 4: Product and Process training (2-3 days)

Step 5: Prospecting and Sales Closure (takes 10-15 days)

Step 6: Commission normally disbursed normally twice a month (7 - 10 days)

It takes almost 45 days for a candidate to get his first commission earnings once he decides to take up this opportunity. Further, getting established in the sales process; i.e. fixing appointments, meeting clients, follow-up calls etc. involves time and also Money. Throughout this period, an agent needs financial support to sustain him and other dependents. Lack of financial support from the family or other sources would mean that he will not pursue clients aggressively enough early in his career, hence his chances of success will also decrease. This is called a negative growth cycle (in which lack of financial support leads to low productivity which in turn leads to low financial resources). If an advisor falls into this cycle it is very difficult to break free.

• **Launch Phase Constraints:** Life Insurance is a business which revolves around Trust and a Promise to Pay (and that too in most cases, to your family members, when you are not around). Like in any other Startup Venture, it takes some time for an individual to establish himself in this business. Again, the entry barrier in this business is very low - to start an insurance business you just need to pass an Insurance Regulatory & Development Authority (IRDA) Exam which involves a one-time cost of approximately Rs. 1000/-. Hence the churn in this business is also very high. Less than ten percent of advisors retain their License after 5 yrs. Hence sometimes customers do adopt a wait and watch approach because they want to see whether the Advisor is really serious with his career or not and whether he will stick in this business in the long run or not. As a result of the above, the income of an insurance advisor during the first 6 months could be highly erratic. The advisor needs strong financial support in this phase to survive in this business.

Business Background: Candidates with a business background are observed to do better than others, since they are self-disciplined, risk takers and have initiative. They are also used to inconsistent earning cycles. Candidates with an employee background, on the other hand are used to being led, tracked and driven by a supervisor. They are also used to getting a regular income and become uncomfortable if it is impacted with uncertainty.

Education: As per IRDA norms, the minimum education eligibility criterion to obtain an Insurance License in India is 12th standard. However, it has been observed that candidates who are Graduate or Postgraduates tend to do better than others. These candidates are more mature and take this opportunity much more seriously. Their relatively better academic levels, also enable them to understand more complex concepts and present them.

For instance, an insurance advisor with an advanced qualification in financial management (like an MBA or a CA) might be in a better position to explain how capital markets work and best time to invest in investment linked insurance to get high returns.

Proximity: Insurance agents/advisors who stay within 5 Sq. km. of the branch are much more successful than others. Advisors who stay nearby are more attached with the branch and its staff. They are also more regular than others in attending various training interventions, which is very critical to their development and success.

2.1 Personality Traits

As already discussed the various demographic or objective features that can contribute to success in an agency career. However what is equally or even more important is these topographic features - the personality traits, the value systems, lifestyle and attitudes of an agent/advisor. These are, of course, more difficult to grasp than the demographic aspects and can be found out from a proper interview or conversation with the sales or agency manager must carry out prior to recruitment into the agency career. Some insurance companies even institute certain psychometric tests to assess the suitability of candidates. Let's look at some of these characteristic traits;

First of all there has to be some "**Fire in the belly**" - a burning desire to succeed, to achieve and go ahead in life in a material sense. This achievement drive has present in all vocations but it assumes special significance in the life of an agent/advisor as one has to rely on oneself to keep going even in the face of adversity. It would perhaps be advantageous if one came from a difficult background where life is a struggle rather than a cakewalk. One also needs to be strongly motivated by the prospect of making money - it is one of the primary reasons why one is in the selling business.

A second trait is **Positive Self Image**. Unless one feels good inside, it is difficult to attract others to oneself. Take the profile of persons who are considered 'difficult to get along with' - hostile, pompous, negative, always giving excuses, complaining etc. The list may be long - at the heart of it all, you would find an individual who feels insecure and inadequate. This insecurity comes from a number of factors - like the tendency to compare oneself with and consequently feel inferior to others; the obsession with looking good in others' eyes; taking oneself too seriously and getting upset at the slightest attack on one's self-image. One of the principal reasons for all the above is a bloated sense of ego and pre-occupation with one's self and one's concerns. It is difficult for such a person to persist for long and consistently perform in sales.

A third point to look for is whether one is a **self-starter** - how much one is self-driven and independent of others. Stephen Covey in his popular and path-breaking work, "The seven habits of highly effective people" has put it as the first habit - he terms it the "inside out approach" as contrasted with the "outside in approach". In essence, it is about where the locus of control of one's life and destiny resides - outside of or within oneself. Ineffective people, according to Covey, are typically seeking to fix responsibility on "someone - somewhere - out there" for all that has

happened to them. People in this frame of mind may be okay in a work setting where they are led and supervised by others. Could an agent go very far with such an approach?

A fourth trait is the ability to **communicate and influence** others. This is linked to how one is able to relate with various kinds of people, whether one can radiate an image of trustworthiness, the ability to listen to and understand others, the ability to conceptualize and generate solutions to the customer's problems. At the heart of relationships in sales is the ability to network and build rapport with wide groups of people, many of whom are strangers or near strangers. The 'social intelligence' quotient becomes important here.

Finally, a number of agents/advisors develop cold feet when they come to the last stage in a sales transaction - closing the sale and asking for the premium. A good part of the problem here is that one is not able to differentiate between negotiating a commercial transaction and building a relationship - one feels that asking for money would spoil the relationship. There are many 'power closing' techniques that are available and can be taught. What is important is the ability to be 'business like' where it is necessary.

Some of these traits come naturally, others are developed through training and experience. Careful selection and mentorship that is based on an understanding of the above features could render the agency management process more effective and reduce attrition and costs.

3. The Career opportunities of an Insurance Agent

As already explored, a number of characteristic traits that would contribute to success in an agency career. And one also needs to have a compelling vision to be able to withstand the numerous roadblocks and adverse experiences one may face. This vision is often the only thing that an agency manager may be willing to offer his protégés during the early years of an agency. Especially when the latter is an undecided prospect or an uncertain novice. It would be useful to envisage a career path for an agent, covering three stages of development - during each of which there is growth in business and income earnings, an evolution along the role and a process of learning and unlearning at the same time.

The first stage is that of agent as a peddler of insurance ware. His prospecting habitat is largely a small circle of personal contacts where he tries to push one or two products and their benefits. Sometimes the agent is lucky - the prospect has been looking for a particular product or solution. In many cases the prospect is not interested or at most, buys a little insurance because it is not easy to say 'no' to a friend or relation. But this only makes things worse, as people with self-respect cannot survive long on personal favors. This stage of drift is where a majority of agents drop off - the rejection, the sense of uncertainty and the loss of self-esteem are just too much to bear. The perpetual dilemma is about investing time, energy and cost towards building relationships and goodwill with people, while making money through striking enough sales closures.

The second stage is when one emerges as a respected professional advisor or consultant in the field of insurance, personal finance and life cycle planning. He now earns a stream of renewal commissions from his circle of clients that he has built. Productivity mounts as the agent is now able to achieve a higher conversion rate [prospects into buyers]. Blind groping gives way to working to a plan - he is now engaged more and more in gaining social mobility through personal and community service and other activities, building goodwill and acquiring a reputation for professionalism. He gets continual referrals and is the person to contact when people want to plan their life cycle investments.

The third stage is that of a business entrepreneur - or CEO of an enterprise, providing insurance and investment advice and other personal financial services. The enterprise thrives on a 360 degree relationship with a large circle of customers, including the services of other enterprises I service providers with which one is networked. The result is to make a range of service and support systems available at the customer's doorstep - from filing income tax returns, to holiday planning, to making a will, to advice on health or education. The firm thrives on a lifetime partnership with a large network of clients. The stage is set for MDRT [Million Dollar Round Table] or (COT) Court of the Table membership status.

A fundamental part of agency management is to help the insurance agent/advisor dream and show the way to achieve that dream. Dreams and visions are what drive achievement without them it is difficult to survive and sustain in insurance sales.

Many insurance companies have also recognized the need for providing growth opportunities to agents in order to ensure motivation and aspirations are met. Some of the career opportunities can be categorized in the following track:

Insurance Specialists (segmented or elite advisors)

There are advisors who wish to be specialists in the field of insurance. They want to be really good at selling insurance product. In this track the agent is developed to become a specialist in the field of insurance. Today every insurance company provides a segmented training approach and also creates various reward and recognition programs to keep its advisor forces motivated and drive them towards higher productivity. The ultimate objective is to create an MDRT (Million Dollar Round Table) advisor.

Apart from catering to only retail customers they also focus on corporate and businessmen. The needs of these segments are met by offering specialized products like -

- Employer - Employee Insurance
- Key Man Insurance
- Insurance sold under MWPA (Married Women Protection Act)
- Insurance plans for corporate employees

These advisors are treated separately as they generate higher productivity compared to other advisors. They also get additional remunerations in terms of over-ride commissions and reward points.

Agency Associates

There are agents who are looking for exponential growth. They want to build their own sales organization. To fulfill the aspiration organizations offer agency associate programs, where they can recruit their own team of advisors and earn overriding commissions on the team's business.

An organization under such a scheme would have different life insurance advisors under the designated agent associate. While these advisors would earn their individual commissions, the agent associate would get an overriding commission on the business earned by his/her team.

•Management Role

Finally, there are agents who aspire to leading a corporate career. Nowadays, organizations offer opportunities to their higher producing agents to be a part of the management. This works as a retention tool for the organization. Once these producers clear the specified performance gates, they have provided an opportunity to join the management in different functions like sales, operations, customer care etc. to climb the corporate ladder.

Conclusion

The insurance agent plays a vital role in promoting and selling of insurance products and services to its customers. Giving sound financial advisory services and customer support to the clients, deals with not only individuals but their families and corporate businesses too. The agent is a brand ambassador for the principal company as well. In present scenario, the principal company provides attractive remuneration to their agents in form of commission, career opportunity, rewards and recognition.

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