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The Challenges Faced by Life Insurers in Appointing and Retaining Individual Agents

'Individual Agency/Tied Agency' is also known as the 'In-house' or 'Proprietary' channel as it is owned and controlled by a particular insurance company. Individual agents are required to ensure deeper penetration of life insurance and thus have an important role in the healthy growth of the life insurance sector. Life Insurance Agency is financially rewarding and at the same time emotionally and physically demanding. However, it is not considered to be a preferred profession. For sustainable growth, the life insurers need to work hard, appoint more number of agents and retain them while enhancing their own productivity.

Key words: Life insurance agent - Agency supervisor - Productivity of agent - Retention of agent - Agency channel

Introduction

A life insurance policy should be the most essential financial instrument for every insurable individual. However, it is perceived to be of least importance and priority. The distribution of life insurance is very critical from the marketing point of view because, mere promotional activities may not create a demand for it, but it is the life insurance intermediary who is required to work hard to generate interest and 'push' the life insurance products.

Moreover, the marketing method of a life insurance policy normally relies on face-to-face communication between an intermediary and the prospective policyholder. The

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salesperson needs to explain the insurance products, answer the individual's queries, clear doubts and objections and finally close the sale. Traditionally, new business procurement through 'Individual/Tied Agents' is the common way of distribution of life insurance. The Life Insurance Corporation (LIC) of India has adopted the "individual agency" as its primary distribution channel (Table 1). Although "Individual Agency" is not a 'channel of choice' for some, all the Indian life insurers have now developed or are developing their own agency channel. After two decades of opening up of the insurance industry, the Indian life insurance industry now has nearly 25 lakh individual agents (Table 2) who are considered to be the backbone of the industry by contributing the maximum to its business growth year after year.

Table 1 : Relative New Business Contribution by Distribution Channels of Life Insurers (Figures in percentage of New Business Premium)

Distribution Channel	LIC of India		Private Sector		Total	
	Up to March 2021	F.Y. 2019-20	Up to March 2021	F.Y. 2019-20	Up to March 2021	F.Y. 2019-20
Individual agents	93.80	94.74	23.66	24.63	58.92	60.09
Corporate Agents-Banks	3.11	2.78	54.29	52.70	28.56	27.45
Corporate Agents -Others	0.11	0.08	3.41	3.03	1.75	1.54
Brokers	0.07	0.05	2.68	3.36	1.36	1.68
Direct Sales	2.20	1.44	14.85	13.09	8.49	7.19
Online Direct Sales	–	–	0.30	2.46	0.15	1.45
Micro Insurance Agents	0.63	0.43	0.001	0.002	0.31	0.22
Common Service Center	–	–	0.01	0.003	0.006	0.001
Web Aggregators	–	–	0.64	0.54	0.32	0.27
IMF	0.08	0.03	0.08	0.11	0.08	0.07
Point of Sales	–	–	0.07	0.08	0.04	0.04
Total (A)	100	100	100	100	100	100

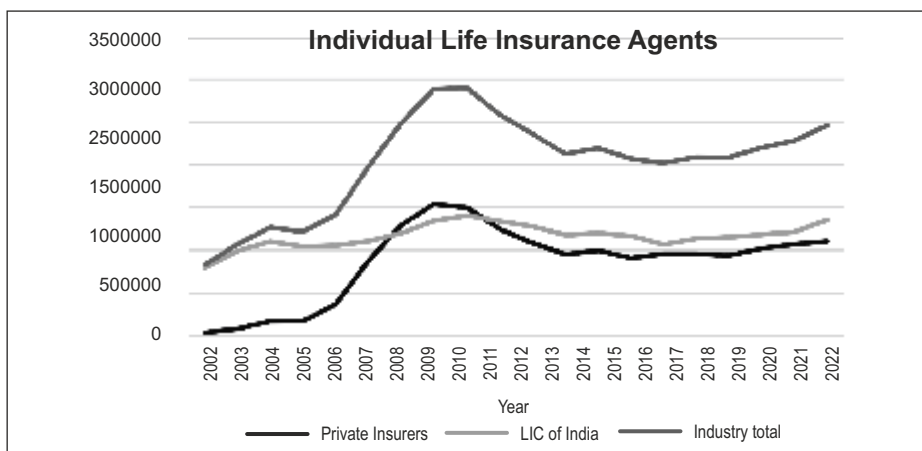
Source: IRDAI Annual Report 2019-20 and 'Public Disclosures for the Insurance Companies'

Table 2 - Number of Individual Agents tied to the Life Insurers

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Sr. No.	Insurer	Year	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
1	Aditya Birla Sunlife	2000-01	2009	6179	12696	5288	17738	56490	109034	164363	168124	144573	131297	106823	81763	90537	110658	82048	91720	81528	85995	94775
2	HDFC Life	2000-01	3214	10145	17178	23679	34881	74016	144734	20741	199522	142238	106244	77503	54836	65214	82381	54516	77048	91172	107662	112012
3	ICICI Prudential Life	2000-01	10861	18344	32706	56600	72481	234000	290993	276929	211169	176076	138883	147547	171734	132463	121016	136114	151563	170572	190924	187560
4	Max Life	2000-01	2620	3379	5698	7567	12510	21700	33717	78287	64645	40065	35368	35384	42620	43505	45276	54283	56968	50854	45979	55217
5	Bajaj Allianz Life	2001-02	4377	14157	36251	32565	109141	216191	250239	204941	167741	189667	173146	148000	169634	120982	89975	77097	70763	72719	80524	88102
6	Exide Life	2001-02	1135	2291	5714	10379	21544	33944	52760	78058	53273	34957	29396	28528	35140	32357	50300	56034	46126	49833	44383	36928
7	Kotak Mahindra Life	2001-02	1348	3730	6511	2900	12523	24484	34723	42083	35897	38269	31297	33740	44395	55548	86303	96729	94668	124500	124690	109321
8	PNB MetLife India	2001-02	417	1454	3155	3336	9985	20848	36798	60727	63300	28840	29418	24114	13448	17017	7989	6248	6452	7338	8829	9933
9	Reliance Nippon Life	2001-02	484	1599	6381	5005	19956	95622	184194	149613	195565	189433	150990	124038	109042	105022	129693	162276	65099	55492	63016	42604
10	SBI Life	2001-02	719	1486	2181	2080	5046	18019	22860	43534	23753	3353	86988	94138	110491	88656	93619	95355	108261	123613	130418	170096
11	Tata AIA Life	2001-02	7038	15451	32890	17737	35336	28105	52544	107670	151557	87223	46948	29361	40751	40993	27538	25704	26963	29469	30926	50367
12	Aviva Life	2002-03		1868	5002	3806	10974	29052	35307	30838	32728	23219	19126	17470	19985	18935	10443	13648	16431	13803	11285	6990
13	Sahara India Life	2004-05					78	9797	12839	13515	13856	14180	14578	11016	10914	11362	11477	10402	10480	10439	10398	10775
14	Shriram Life	2005-06					5759	10384	17659	19759	21554	10139	6380	5351	4637	4460	4422	4508	4498	4455	4436	3784
15	Bharti AXA Life	2006-07						1235	14045	28932	33011	15512	14842	13269	16733	19132	20561	18535	28638	39382	43316	33213
16	Future Generali	2007-08							11	24437	42613	58666	41281	27437	27929	17150	17919	8755	11890	7629	3928	2861
17	Agas Federal	2007-08							279	6509	7737	7882	7400	8531	10343	13089	9309	7915	10763	14402	10603	11671
18	Aegon Life	2008-09								2309	7617	10861	7313	4488	8022	7973	6222	5814	5739	5671	1661	364
19	Canara HSBC	2008-09								0	0	0	0	0	0	0	0	0	0	0	54	246
20	Pramerica Life	2008-09								113	2115	5199	7122	5487	3249	1995	4439	7889	12318	14250	15351	14901
21	Star Union Dai-ichi	2008-09								69	128	550	1189	6510	8167	8507	9112	4757	2678	999	261	
22	IndiaFirst Life	2009-10										296	1658	2959	3790	4825	2468	2910	1660	2088	2540	1914
23	Edelweiss Tokio Life	2011-12											825	3401	7255	10421	15490	21449	31031	43681	51723	57773
24	Private Insurers	1956-57	34222	80083	166273	170942	367952	873887	1292236	1538358	1495546	1244776	1080651	949774	992584	904803	955005	957341	933856	1015518	1069640	1101268
	LIC of India		792112	988358	1098910	1041737	1052283	1103907	1193744	1340856	1402807	1337064	1278324	1172983	1195916	1163604	1061560	1131181	1148881	1179229	1208826	1353898
	Industry total		826334	1068441	1265183	1212679	1420235	1976934	2485980	2883214	2898635	2581840	2358885	2122757	2188500	2067907	2016565	2088522	2082667	2194747	2278466	2455076

Source: IRDAI Handbook: 2013-14 and Life Insurance Council: Individual Agents Data

Chart 1 - Number of Individual Agents Tied to The Life Insurers



Source: IRDAI Handbook: 2013-14 and Life Insurance Council: Individual Agents' Data

Challenges in Building an ‘Agency Vertical’ by a Life Insurer

Building a strong agency vertical has always been a challenge for the life insurers. It is found to be very difficult to attract capable candidates interested in marketing life insurance policies and to appoint them as individual agents. The next difficulty faced by insurers is to make the on-boarded agents attend trainings and launch them to canvass business. Though the insurers have adequate inhouse support mechanisms and attractive terms of remuneration for the newly appointed agents, yet, the industry experiences high attrition levels even up to 30 percent of agents in the first year itself of their intake. The four years’ agency retention rate lingers around a low 15 percent. This figure indicates a huge churning of life insurance agents and the need for life insurers to make efforts to make their agents productive and ensure their continuation.

Table 3 - Recent Turnover Levels of Individual Agents in the Indian Life Insurance Industry

3 A - LIC of India

Year	No. on Agents as of 1st April	Appointments in the year	Exits in the year	Net No. of Agents as on 31st March
Mar-16	1163604	319428	421472	1061560
Mar-17	1061560	339964	270343	1131181
Mar-18	1131181	265806	248176	1148811
Mar-19	1148811	263894	233476	1179229
Mar-20	1179229	273337	243740	1208826
Mar-21	1208826	345469	200487	1353808
	Total	1,807,898	1,617,694	

Net addition of agents

1,90,204

3 B - Private Insurers

Year	No. on Agents as of 1st April	Appointments in the year	Exits in the year	Net No. of Agents as on 31st March
Mar-16	904303	345651	294949	955005
Mar-17	955005	311423	309087	957341
Mar-18	957341	338682	362167	933856
Mar-19	933856	379739	298077	1015518
Mar-20	1015518	376007	321885	1069640
Mar-21	1069640	253299	221670	1101268
	Total	2,004,801	1,807,835	

3 C - Life Insurance Industry **Net addition of agents** **1,96,966**

Year	No. on Agents as of 1st April	Appointments in the year	Exits in the year	Net No. of Agents as on 31st March
Mar-16	2067907	665079	716421	2016565
Mar-17	2016565	651387	579430	2088522
Mar-18	2088522	604488	610343	2082667
Mar-19	2082667	643633	531553	2194747
Mar-20	2194747	649344	565625	2278466
Mar-21	2278466	598768	422157	2455077
	Total	3,812,699	3,425,529	

Net addition of agents **3,87,170**

During the last 6 years - Appointment of agents - 38.12 lakh
Exits of agents - 34.25 lakh, Net addition of agents - 3.87 lakh

Source: Life Insurance Council: Individual Agents Data (year wise)

Though the net agency numbers from April 2015 show a growth, close scrutiny of the data reveals declining results. The minimum educational qualification suggested by IRDAI for appointment as an individual agent is a 10th standard pass or equivalent. 'CMIE statistical profile, September-December 2020' indicates that nearly 4.20 crore Indians have passed the 10th standard and though they are willing to work, they are unemployed. The life insurance industry appoints nearly 6 to 6.50 lakh individuals as agents every year. This number definitely appears to be low against the total recruitment potential of 24 life insurers considering the existing unemployment conditions in India. It draws attention to the challenges faced by the life insurers in attracting individuals and appointing agents.

Similarly, the attrition of nearly 34.25 lakh agents during the last 6 years is certainly alarming for all the stakeholders. The loss caused by agent attrition is limited not only to the expenditure on their training, but it also includes the consequent lapses of policies, the

severe damage to the market reputation of the insurers and the ‘image hit’ to the insurance profession itself.

Research Project by National Insurance Academy

National Insurance Academy conducted a research project during the period between October 2020 and March 2021, to understand and find ways to overcome “the Challenges faced by the Life Insurers in Appointing and Retaining Individual Agents”.

From the analysis of secondary data and literature review, we could arrive at some common challenges faced by the life insurers during the appointment of agents and some ‘push’ and ‘pull’ factors that can be attributed to the attrition of agents. During the pilot study, we prepared an interview guide based on the groundwork done and conducted in-depth interviews of 6 select agents and 21 officials working in various capacities such as agency supervisors, assistant managers, branch managers and divisional heads of various life insurers. We also interviewed an Ombudsman and a reputed trainer at length. We also spoke to some terminated agents to understand the exact nature of their problems.

From all these interactions we arrived at a conclusion that the industry practitioners have a lot of experience and wisdom to share and their views can be well captured with open-ended questions rather than markings on a rating scale. Hence, we decided to adopt ‘Qualitative Empirical Approach’ for our study and to collect qualitative data from all the concerned in the form of subjective responses to the questionnaires.

We developed and distributed separate sets of exhaustive questionnaires to the officials of LIC of India and 23 private insurers. A separate questionnaire was served on individual agents. We collected 38 responses from the insurance managers of various cadres working in different parts of the country and 51 responses from the agents. Three well-known insurance trainers also shared their views.

The discussions and the suggestions mentioned in this article are based on compilation of the valuable subjective insights provided by these 121 respondents associated with the development and control of the individual agency channel of the life insurers. However, we might have missed some of the industry wisdom and concerns as the sample size was relatively small as only some insurers could contribute to this project.

The Profession of Life Insurance Agent

Only a few industries within and outside the financial services sector can provide a rewarding profession like life insurance agency to the relatively less qualified and

inexperienced individuals as agents. However, in general, there seems to be a lack of awareness about the insurance profession as such.

The entry criteria to become a life insurance agent (a pass in 10th standard and a pass in agency examination) appears to be simple for many. Moreover, an agent can earn high level of commission and be entitled to many other benefits commensurate with the business performance, and that too, with flexible working hours and without any significant financial capital invested. But still, people do not join life insurance agency as a preferred profession. This profession has the challenges of low conversion rates and uncertainty of adequate income in the initial phase. The industry experts say that people turn to life insurance agency only when they do not find any other employment option and even if they opt for agency, they join only to earn some income in the interregnum till they get another “comfortable” job opportunity. The general inclination of a large number of people is not to take up life insurance agency even as a part-time job because, the life insurance agency (profession) does not confer on them a good social status in society even now.

The profession of ‘life insurance agency’ is certainly not the final option to be taken up as an occupation by someone who has in fact failed in other areas. Though it is assumed to be one of the toughest and challenging professions, it is immensely rewarding for those who exhibit the essential qualities, are willing to learn the necessary skills and put in disciplined and consistent efforts to establish themselves in the market. The insurers find it very difficult to recruit *suitable and sustainable* candidates who have the right attitude and aptitude for life insurance agency work. The agency managers who recruit agents under them need to be more diligent and choosier while screening and selecting individuals to ensure their productivity and continuity as agents in the life insurance profession.

Desirable Qualities to be a Sustainable Life Insurance Agent

There are no proven prototypes of a successful agent. They are recruited as agents from all kinds of backgrounds, having different levels of education and varying life experiences. However, essentially a life insurance advisor needs to have a dire desire to earn money, a high degree of integrity, perseverance and willingness to be trained. Table 4 summarizes some of the common traits and attributes of successful agents based on the industry experience.

Table 4 : Common Traits of Successful Agents

Self-motivation	Money motivation	Success Patterns	Social mobility & communication	Trainability and adaptability
Perseverance (Capacity to handle failure)	Financial needs/ family commitment	Sales experience	Range of contacts and social mobility	Education and background
Good Working Habits like honesty, regular work every day, Commitment to time	Materialistic (Dreams of future purchases)	Confidence, high energy and willing to delegate	Active listening & Communication skills to explain complex products	Willingness and patience to call known/ unknown people
Structured Efforts (willing to keep records)	Goal Orientation (Ambitions)	Persistence, Past success records	Expanding network and activities on a continuous basis	Ability / willingness to acquire new skills & knowledge
Stamina to work Hard and anytime availability	—	Wants recognition	Emotional intelligence, Persuasiveness	Curiosity and receptiveness to new ideas

Source: Compilation by the authors.

Challenges Faced by Life Insurers in Appointing Agents

As there appears to be lack of interest in insurance, hence, a dearth of people willing to join the agency profession, and, as the cost involved in the process of appointment of agents is very low, the agency managers are inclined to appoint majority of the candidates who approach them, under the assumption that “nobody knows who will click ... and/or when and for how long”. Also, as there is no perfect and proven prototype for a successful agent, the agency selection appears to be driven solely by the ‘trial & error’ method. This random or irrational method of selection of agents to the insurance profession results in low motivation, low productivity as well as low retention of agents.

The following are a few of the many challenges faced by the life insurers in attracting, and appointing individual agents:

- Lack of awareness among people at large about life insurance agency as a profession
- Perception of ‘Low Status’ about the life insurance agency as a profession
- Unwillingness of individuals to be known as life insurance agents
- Under-appreciation of the commission structure by the prospective candidates
- Inadequate efforts taken by the agency supervisors to attract the right candidates
- Difficulty in identifying the potential talent or the right persons for agency
- Reluctance of the candidates to undergo training and Agency Examination

Activities to Attract More Individuals to Agency Profession

Building scales through massive appointments of agents would be the best strategy for the life insurers working in the still untapped market like India. Against the backdrop of low awareness levels and inhibitions of the capable individuals, the insurers and the other stakeholders are required to make conscious efforts to strengthen and complement the activities of the agency recruiters in the field. As a step towards achieving this objective, many life insurers call their retail agents as ‘advisors’, while some insurers direct their agents to wear the company blazers while on call.

The following are some of the measures to be taken by life insurers to attract a greater number of suitable candidates to the insurance agency profession:

- Brand “Life Insurance Agency” as a good and noble profession, not only just in terms of attractive remuneration and rewards; but also, in terms of status, self-confidence and industry recognition.
- Provide wide publicity to training, support and growth opportunities that are being provided to life insurance advisors. An attractively printed brochure showcasing the benefits of being an insurance agent plays a huge role in recruitment. An integrated digital campaign of ‘SBI Life’ called “Goodness ki Muskaan” – developed to promote, leverage and recruit insurance agents through the various benefits offered – is a good initiative.
- Showcase and project the successful agents as ‘brand ambassadors’ to attract candidates with good profiles.
- Segment the agency market and launch an appropriate publicity campaign via the advertising media (including social media) to attract the desired category of recruits.
- Share the success stories of agents with similar profiles on the lines of the targeted prospects.
- Arrange an aggressive publicity via direct mail campaigns targeted at agency recruitment.
- Ensure the presence of the insurer at job fairs/ job boards and employment agencies.
- Focus on prospective talent pools showing higher retention of agency work (e. g., retired PSU/bank officials, retired defence personnel, travel agents, estate brokers, tax consultants etc.)
- Arrange for an exclusive and experienced recruitment team that works closely with front-line agency managers to help them recruit new agents.
- Strengthen the agency supervisor layers and design appropriate and attractive incentive schemes to ensure sustainable appointment of agents.

Types of Markets for Individual Agents to Source Life Insurance Business

The potential market for an individual life insurance agent to market insurance can be broadly divided into two types:

1. Primary (Natural) Market -

It consists of family members, relatives and friends of the insurance advisor. In this category, the sale of insurance policies is comparatively easier as relationship matters over knowledge, standing and quality of the agent. Many a times insurance policies are purchased either for maintaining good relations or to help the advisor achieve his/her business target *even without analysing the long-term financial involvement or understanding the benefits of the policies by the client.*

2. Secondary (Open) Market -

This group consists of unknown people, including referrals outside the natural market. In order to survive and succeed, every individual agent is required to move extensively into the open market where s/he invariably faces the usual challenges, like stiff competition from other intermediaries, other insurance lines and companies and other attractive financial options and products in the market. It is in this often-un-level-playing arena that an agent needs to develop his/her roots and grow to be successful eventually. Usually, an agent requires to undertake prospecting and cold calling with patience to get leads in the open market. Often, an agent is required to start creating an awareness in the client about the need for life insurance. Once an interested customer gets ready for a meeting, the agent needs to present and explain the suitable insurance products after probing into the client's actual financial needs. *Very often, to conclude a sale in the open market, an agent needs to make efforts and exhibit his knowledge, experience and professionalism to win the confidence of the customer.*

Methods of Working in the Open Market

While working in the various segments of the open market, life insurance advisors need to adopt various ways to reach the target customers and leverage their individual strengths to solicit business. In the open market, the agents may get their leads in various ways like:

- Association with financial entities like asset management companies, banks to access their large data bases
- Strong connections with consultants like cost accountants, doctors, lawyers
- Club memberships, social activities, well-knit social networks

- Referrals from the satisfied customers - “word-of-mouth”
- Purchase of databases from service units

Whatever be the mode of approaching the customers, it is assumed to be always tough to impress and convince the unknown customers about life insurance. The modality of the sale would differ from customer to customer. The charismatic agents or the agents occupying influential positions can get the business by virtue of their personality or the power they enjoy in their social circles. For others, it could be the brand value of the insurer, and for still others it could be the faith of the customer on the recommendations of an advisor of long standing that completes the sale of a life insurance policy. The advisors who deal with educated customers need to work hard and prepare exhaustive presentations of products, their comparative benefits and returns and above all, they need to assure ready service support to their customers.

“As we have seen in the Capgemini Report 2015, the customers are reasonably impressed by the way agents offer them regular advice on financial matters and post-sales services. In our country, those agents are successful who are energetic enough to give all post-sales services. Although customers have become tech-savvy and do a lot of research about insurance products on the internet, an overwhelmingly large number still prefers to buy from the tied agents and expects prompt post-sales services from them.”

(Majumdar, 2016)

In sum, a life insurance agent can earn a decent livelihood only if he expands his business in the open market. This can be achieved by continuous enhancement of his knowledge and skills through regular training and ensuring necessary support from the supervisor. A systematic training that imparts knowledge, inculcates the desired attributes and develops the competencies to survive and thrive in the competitive market is very essential for every life insurance agent.

Training Needs of Individual Life Insurance Agents

Identifying eligible and interested individuals for life insurance marketing is very crucial for the insurers. It is even more important for them to continuously skill their agents and equip them to fit into their roles. The insurers are required to organize comprehensive and structured skilling and re-skilling programs for their agency vertical with appropriate physical infrastructure and quality trainers. The in-house training and motivating of the agents help in inducting them into the work culture of the organization and instil a sense of loyalty to the institution. Such training programs would be effective only when they are planned systematically, conducted meticulously and accepted willingly.

Pre-appointment Training, Induction and Post-appointment Skilling of Agents

The insurers conduct pre-appointment training for their prospective agents with a focus on clearing the mandatory agency examination by the candidates. It should also include sessions on understanding of the duties and responsibilities of an agent while selling a valuable product like life insurance.

The new agency recruits are to be taken on-board with a well-designed 'Induction' programme. Besides orienting the individuals to the insurer's profile, it should cover various aspects like - financial markets, life cycle based financial needs, prospecting and entering secondary markets, product training and developing sales pitch for various products, objection handling, skills to close a sale, policy servicing and settlement of claims.

It would be essential to provide regular post-appointment training programs covering the areas indicated in Table 5 in order to equip the agents to operate in a dynamic environment.

Table 5 : Post-Appointment Training of Agents

Refresher Training	Specialised Training Sessions
Persistency of policies	MWP Act and Life Insurance
Obtaining referrals	Business Insurance
Importance of CRM	Up-selling and cross-selling
Advanced financial markets	Selling to HNI Customers
Tax planning and Insurance	Personal Brand Building

Source: Compilation by the authors.

Table 6 : Systematic Training Programme for Individual Advisors of Max Life Insurance

FCS	Fundamental Career School	7 Full days (For new joiners)
SSW	Selling Skills Workshop	2 Full days (next month after clearing FCS)
BCS	Basic Career School	4 hours, once in a week (Month 1 to Month 6)
ICS	Intermediate Career School	4 hours, once in a week (Month 7 to Month 12)
ACS	Advanced Career School	4 hours, once in a week (Month 13 and above)

Source: Compilation by the authors

Every operating office of the insurer needs to have separate trainers devoted to training of the agency force.

Some Indian life insurers also arrange online self-learning platforms as well as telephonic training, where the advisors can learn on their own and at their own speed and convenience.

Full-time and Part-time Agents

A truly committed and passionate agent should consider life insurance agency work as a full-time and long-term career opportunity. Such individuals would be ready to invest their time to attend the training sessions regularly and willing to upskill themselves to acquire the capability to provide support to their clients on their own initiative. They are usually found to be less dependent on their agency managers for canvassing business and providing services. However, a large portion of the life insurance agency force consists of part-time agents who, at times, stay with the agency for short-term gains and do not get fully engaged with their customers. Many a times, though they are willing to attend the training sessions and meetings, they cannot spare time and invest their talents and hence, are not able to skill themselves further and develop confidence to move into a highly competitive market. Consequently, they are unable to generate enough leads, and many a times they have to depend on their agency managers for closure of the sale and other servicing support.

Composite Insurance Agency

As per the current regulations, an individual can become a ‘Composite Insurance Agent’ and work only for **one insurer in all lines of insurance**. Though cross-selling through composite insurance agency sounds a good marketing strategy, it should be employed after a systematic and proper ‘Needs Analysis’ of the customers; else it can lead to wrong selling.

Very often, a composite insurance agent would aggressively sell the products having higher conversion rates or better commission inflows. There are instances in the industry of some of the best life insurance agents who, after getting composite experience in the agency, have stopped working for their life insurers and are using their data bases for selling only health insurance products. Examples of such switch-over are bound to happen unless all the lines of insurance business have, ultimately, similar conversion rates and equivalent commission structures. *The composite insurance agency has created new challenges, which, if not taken care of proactively can cause reduced productivity of the agents and for the insurance industry as well.*

Challenges in Retention of Individual Life Insurance Agents

“... Chronological trends in India for the last one decade indicate that the individual insurance agents frequently shift between companies. In fact, a study conducted by Ernst & Young (E&Y) reveals that on an average, every year, around 10%–12% of the individual agents shift between companies within the industry. Evidence from India shows that the high attrition of individual agents is largely due to poor commission structure and huge sales pressure. If the peers are performing better and being rewarded by the insurer, the nonperforming and less performing agents tend to switch to other companies to avoid humiliation. (Roy, Shome 2018)”

A life insurance company can strategically allot its agents with short-term assignments in certain business pockets. It is felt that the attrition of such agents may not be a concern for the company, provided it has recovered their agency cost while pushing a large number of policies through them. In all other cases, the life insurance companies need to preserve their existing agents for sustainable growth both in terms of profit and personnel. Continuation as a life insurance advisor over a longer period helps one to build the customer book and hence the references, resulting in higher productivity.

The challenges to retain life insurance agents can be categorized into the following 4 types:

1. Faulty Selection of Candidates

- No strong desire in the candidate to earn money
- Expectations of high income without appropriate skills and knowledge; unwilling to put in hard work
- Mismatch of the personality traits of an agent with the requirements of the agency profession
- Lack of professionalism
- Commission-orientated sale, complaints of wrong selling against an agent

2. Personal Deficiencies of the Agent

- Pressure to earn early and high fixed income due to increasing family liabilities.
- Access to another and better remunerative job opportunity in the early years.
- Change in physical location, e. g., transfer of services of the agent.
- Increase in personal/family liabilities that demand more of his/her time.
- Discouraged by family members to continue working as an agent.
- Health issues.

3. Factors Related to Internal Environment of the Company

- Inadequate training support by the company.
- Inadequate support and handholding by agency supervisors during the initial period.
- Very high business targets and pressures which may lead to wrong selling and consequent issues.
- Non-satisfactory arrangement of benefit and reward schemes for agents.
- Lack of growth opportunities for agents.
- Lack of recognition for the hard work of agents.
- Clashes and conflicts with agency supervisors and peers.

4. Challenges in the external environment

- Scepticism about life insurance and lack of awareness about financial markets causing difficulty for agents in getting and engaging customers.
- Uncertain economic scenario, changes in taxation rules, volatility of interest rates.
- Heavy competition from other intermediaries.
- Heavy competition from other financial products.
- ‘Pull’ by the competitors – higher remuneration, respectful treatment, availability of popular products, technological advancements in systems and procedures – may be the attractions.
- Unethical sales practices in the market.

Methods to Improve Retention of Agency Recruits

‘Agency Retention Rate’ is a function of the ability and integrity of the managers and effectiveness of the training, the support and the sales control systems of the insurer.

As a first step to improve retention of agents, all the stakeholders need to work hard to increase people’s awareness level about the need for Life Insurance in the society as a whole. The insurers then need to undertake some proactive measures, such as:

- Change and develop the selection profiles for agents as well as sales managers from ‘more business with more people’ to ‘sustainable business with better qualified people’
- Instead of setting high targets of agency appointment, ensure the ‘quality’ of the selection procedure. Design a process of recruitment which contains adequate discussions with the prospects on the pros and cons of agency career and then **the candidate should either select or reject him/herself** for the agency profession.

- Ensure mandatory induction, product and selling skills training and regular need-based training of agents.
- Build high engagement levels with agents, physically and digitally, from the day they join.
- Work immediately with the agents after they join. Ensure that they receive their first commission within the first two months.
- Essentially **train the agents to work in the secondary market as quickly as possible. Work to improve their “sales-to-approach” ratio.**
- Set stepwise goals of commission and help them achieve targets with suitable product combos.
- Constantly track monthly activation levels of agents. If inactive, make special efforts.
- Build the competence of agents through webinars, training programs, unit meetings and joint calls. Encourage them to get higher levels of qualification and certification in Insurance.
- Allot educational expenditure on a priority as it would be an investment in the long run.
- Inculcate the best work and office habits in the agent right from the beginning, e. g. networking, regular cold calling, good manners, punctuality, record keeping and prompt servicing to policyholders,
- Systematically collect and share the best practices from the highly successful agents.
- Support agent activities for retention of their customers, e. g. prompt customer service support, digital reminders for premium payment, hassle-free additional services, etc.
- Segment the agents to take care of their personal needs suitably.
- Identify the agents who are dealing with customers who are comfortable with digital initiatives and provide them focussed training to match with the customers’ expectations.
- The agents are to be empowered to understand the changed climate and leverage the advancement of technology to acquire digital visibility and reach and meet the fast-changing requirements of consumers with digital enablers.
- Though digital disruption is inevitable, the importance of one-to-one communication in insurance sales is highly to be valued and encouraged.

- Work on the capability development of the agents through potential career progression and motivate them to instil institutional loyalty.
- Keep the agents motivated with special bonuses and perks.
- Run various monthly contests and programs to keep the agents active and engaged.
- Conduct monthly meetings of agents and felicitate the high achievers.
- Arrange recognition programs to encourage long-term association of agents.
- Create non-business linked ‘Engagement forums’ for the agents at unit office level.
- Facilitate constant feedback system with various digital tools to help the agents quickly get their business performance appraisal and reviews.
- Organize lead-generation campaigns to provide for more and better equipped quality leads to the agents.
- Support and empower the agency managers in their agency retention efforts. Ensure frequent dialogue with select groups of development officers/agency managers to understand and provide support needed by them e. g., need of an innovative product.
- **Devise an incentive scheme for agency managers based on the individual performance and persistency of their agents.**
- Use the huge database of the existing clients for cross-selling/ up-selling by applying Artificial Intelligence platforms. This approach would not only help the agents to enhance their productivity but would also help the life insurers to establish a better connect with their agents and thereby improve their retention rate.
- Automate the services provided to the agents and the policyholders - both with the minimum/no human intervention. Decentralize the services to select agent’s desk with sufficient controls. This would reduce the delays and also the consequent frictions that would arise in the interactions with the operating staff.
- Earnestly control and eradicate the unethical practices prevalent.

Strategies to Enhance Productivity of Agents

For long-term profitability, the insurers need to take conscious efforts to improve productivity of their agents on various parameters such as premium and number of policies. The productivity of agents on the basis of commission earned has a direct relation to their retention levels. For improving the productivity and consequent retention of agency force, the insurance company needs to ensure:

- Selection ‘by’ the agency candidate him/herself after detailed discussions and employing pre-set recruitment criteria and evaluation-validation standards.
- Inducting the agents in a systematic and scientific manner.
- Proper handholding of new agents by agency managers. Incentivise the agency managers for productivity and retention of agents individually, besides using the collective methods.
- Emphasis on repeat sales to customers for their life-cycle-based changing needs.
- Monitoring and periodical review of new agents scientifically and with due seriousness.
- Appropriate pre-appointment training, induction and regular skilling of agents.
- Training of agents to generate quality leads.
- Segmentation of agents according to their differential products and training needs.
- Suitable product-mix to meet the agents’ need for decent remuneration.
- Educating agents of digital disruption and enabling them digitally and analytically.
- Better organisation of the agency operating model (e. g. better utilisation of morning meetings, role play sessions, product trainings, quality lead generation).
- Organizational-sales support, e. g. sales tools, providing assured and quality leads, performance reviews, appropriate physical/digital nudges to agents.
- Robust servicing support, preferably automated with enhanced digital tools.
- Performance-based incentives and attractively designed career path for agents to provide them enhanced prestige and appropriate monetary rewards
- Extent support to the less productive agency groups.

The ‘Willpower’ at the top level and ‘Systematic Implementation’ at the grassroot level are the keys to enhance productivity of agents and their retention. It is reported however that the companies in which the highly productive agents are given the opportunity to handle agency teams under them, face the ‘channel conflict’ and their agency supervisors take cautious view while building their agents.

Agency Supervisors

Along with recommending the candidates for insurance agency work, the agency supervisors are required to guide, coach and handhold their assigned agents and also to guide them to provide prompt after-sales services to the policyholders. The agency supervisors do not have complete authority over their agents but are required to ensure agents’ performances. To build a strong agency force, basically the insurers need to

carefully select their agency supervisors/managers by ensuring their attitude, marketing aptitude, integrity, people skills and willingness to work hard.

Only the experienced and fully equipped agency supervisors can systematically segment the life insurance market, plant suitable agents and train and mentor them to realize their full potential. Hence, it is very important to also train the agency supervisors on a continuous basis to enhance their skills and capabilities. Though well-designed and articulated training courses for agency supervisors are in place with most of the life insurers, the real problem lies in not giving importance to “training” and “Learning” as the vital ingredients of the system. In order to build up a high-quality sales force, the life insurance industry needs a shift from ‘**generic training**’ to ‘**life-cycle based learning**’ for agency supervisors, which includes **Induction**, on-**Field**-training, **Reinforcement** of basic principles with **Regular** and systematic **Refresher** courses – both in-house and outsourced.

Attrition of Agency Supervisors

The life insurance industry is also very much concerned about the high attrition of agency supervisors who are constantly under pressure to achieve the set targets of URN generation, agency appointment and business procurement. They are also often lured away by the competitors. Usually, an emotional bond develops between a good agency supervisor and his team of agents. **If an agency supervisor switches the company, generally his agents also follow him.** In order to arrest the attrition of agency supervisors, the life insurance companies may take the following measures:

1. Structured on-boarding of suitable new agency supervisors.
2. Structured and elaborate induction to develop capabilities and confidence
3. Constant motivation through various contests and reward-based targets. It is observed that local and foreign trips are the biggest motivators for them.
4. A system of continuous feedback on business performance and personal growth.
5. Very well-defined, objective and remunerative career path.
6. Engagement forums with all management levels for building inclusiveness.
7. Quick feedback and communication with the top management to create a very flat hierarchy.
8. Structured course-correction programs for the agency managers who face difficulty in scaling up their business and focused enabling programs for low performers.
9. Special programs for the top performing agency managers.

Conclusion

The individual agency channel, considering its scope, reach and scalability, should continue as the more effective and profitable proprietary channel of distribution for the life insurers. In the coming years, the success of the life insurance business would certainly depend on strengthening the agency channel with the intake of a greater number of interested, enthusiastic and suitable candidates as individual advisors, in addition to investing resources to improve their productivity and retention. A dearth of candidates and the low cost of recruitment may tempt the insurers to appoint as many individuals as possible as their agents, but the unmethodical approach may lead to huge cost to the company on various counts. The life insurers need to seriously acknowledge the value and the contribution of the individual life insurance advisors, provide them due recognition in the industry and improve their self-esteem in the social milieu. They also need to market aggressively the agency as an acknowledged profession in the society. All the stakeholders are required to complement the efforts of the intermediaries to increase the awareness for the need of life insurance in the society.

In order to develop a strong and efficient agency vertical, the life insurers need to focus on their teams of agency supervisors for their systematic selection and continuous capability development. The agency recruiters need to segment the market, build the desired agency profiles and recruit the right type of agents through a process of 'scientific selection' of the agency profession 'by' the eligible candidates. Well-designed on-boarding strategies, continuous skilling, ensuring early and decent commission packages, effective monitoring, motivation with appropriate incentives, ensuring prompt servicing support and maintaining conducive environment in the work units are the keys to enhance productivity and retention of the agents. All this require robust policy decisions taken at the top level and their effective and efficient implementation from the ground level upwards. The stakeholders should keep in mind that any value chain can only be as strong as its weakest link!

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