



**CHALLENGES  
FACED BY THE LIFE INSURERS  
IN APPOINTING AND RETAINING  
INDIVIDUAL AGENTS**

A Report by



**NATIONAL  
INSURANCE  
ACADEMY**

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## **STUDY TEAM**



**Suparna Bedakhale**  
Research Associate,  
National Insurance Academy, Pune



**P. Venugopal**  
Chair Professor,  
National Insurance Academy, Pune



**G. Srinivasan**  
Director,  
National Insurance Academy, Pune

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## **EXECUTIVE SUMMARY**

The effective distribution of life insurance is very important to increase the awareness for the need for life insurance and to create a 'pull' for life insurance products. The life insurance intermediary needs to conduct primary 'life risk underwriting' and to provide a long-term servicing support to the policyholders. One of the ways to address the concern of low life insurance penetration and low life insurance density is to organise efficient and effective channels for life insurance distribution.

The individual Life Insurance Agents have been the traditional distributors of life insurance all over the world including India. The life insurance agents have their existence in almost all the territories, geographies, economic sections and social strata in India. In the year 2000, the Indian insurance industry was opened to private players and it paved the way for the emergence and growth of alternate distribution channels like brokers, corporate agents and IMFs.

In the current competitive life insurance market, the life companies need to examine the effectiveness of the various distribution channels and select the channel that would align to their strategic vision. The individual agency channel, although may seem expensive considering the overall cost of recruitment, training and its continuation, it has the benefit of loyalty factor that is not available with the other channels having multiple tie-ups. The experience has proved that in emerging countries like India where communications are still not adequate, awareness about insurance is generally lacking, levels of economic prosperity are low and the population is spread over large undulating terrains, there is a necessity to develop an in-house distribution channel like – 'tied agency'.

All the 24 life insurers in India have built their own agency network, though for a few it may not be a 'Channel of Choice'. The Indian life insurance market today has nearly 25 lakh tied agents and have continued to be major contributors of life insurance business in India and are considered as the backbone of the Indian life insurance industry.

The continued success of the life insurers in the future would depend on selecting and appointing a larger number of suitable and capable individuals to market and sell life insurance and to ensure their continuance with increased productivity. The challenges faced by life insurers in building a strong 'Agency Vertical' would be - the difficulty to attract capable candidates, train the on-boarded agents, make them productive and ensure their retention. The life insurance industry has been observing very low agency engagements as well as huge

attrition of agents. As per industry experts nearly 30 percent of life insurance agents go out of books in the first year and the four years agency retention rate lingers around a low 15 percent.

During the period of 6 years from April 2015 to March 2021 more than 38 lakh agents were appointed in the life insurance sector. The net addition in the agency force was, however, only about 3.87 lakhs because 34.25 lakh agents dropped out during the same period.

The Insurance Regulatory and Development Authority of India (IRDAI) has expressed its concern over the huge churning of agents (Annual Report 2014-15): “Reduction in the number of agents may adversely affect the life insurers’ business, persistency and public perception of the agency channel as a stable career. It is, therefore, in the interest of the stakeholders to work on reducing the turnover of agents and build a stable and growing agency force...”

### **Objectives of this Research Project**

The concern over the less than desired appointments of life insurance agents and their huge attrition has made National Insurance Academy (NIA) to take up this study across the Indian life insurance industry to critically examine the difficulties faced by the life insurers to appoint new agents and their continued retention. The study has also tried to examine various remedies taken by the insurers to overcome those challenges and to come up with suggestions to strengthen the agency force of the life insurers. The findings of the study would help all the stakeholders to decide upon their strategies for the benefit of their own, and the industry.

### **Research Methodology**

To start with, the secondary data available on the public domain were referred to to understand more about the peculiarities and the problems of individual agency channel & their remedies, especially in India. In-depth interviews of select agents, trainer, ombudsman and a few life insurance officials who head the individual agency channel in various capacities, were conducted during the pilot study period. The ‘Qualitative Empirical Approach’ was adopted to gather subjective responses to the exhaustive questionnaires from 51 agents, 38 insurance managers and 3 insurance trainers working in different parts of the country.

The discussions and the suggestions mentioned in this study report are based on the consolidation of the insights provided by 121 officials closely associated with the individual agency channel of life insurers. However, this study report and the generalized suggestions

provided therein might have missed some of the industry wisdom and concerns as the sample size is relatively small and not all private insurers could contribute to this project.

### **Discussions, Findings and Suggestions:**

‘Life Insurance Agency’ is assumed to be one of the toughest and challenging professions. The IRDAI has suggested **minimum qualification for agents as a pass in 10<sup>th</sup> standard** or equivalent. The entry level examination is not a real barrier for agency profession and even a candidate with modest educational background can clear it and get appointed as a ‘Life Insurance Agent’. The real test for an agent is to work in a dynamic & competitive market.

Though ‘Life Insurance Agency’ can be a rewarding career, it is not a preferred profession as of now, largely because of lack of awareness, uncertainty of agency income and associated low social status. It is observed that many a time people who do not get better opportunity in other fields end up taking life insurance agency as a last resort. The insurers find it very difficult to get **suitable and persistent** candidates to be appointed as their life insurance agents.

The dearth of people willing to join the agency profession and the low cost of recruitment of agents, compel the insurers to on-board all possible candidates. This unmethodical approach of selection of agents results in very low retention of agents. The insurers need to design a recruitment process for agents where the **candidates select or reject themselves** after having adequate discussions on the ‘pros’ and ‘cons’ of the agency career.

Though, it is difficult to describe the desirable qualities and identify individuals who would be a successful life insurance agent, a dire need to earn money, willingness to be trained and a high degree of integrity & perseverance would be the essential attributes of a persisting and sustainable advisor. Though, there appears to be **no proven prototype for a successful agent**, a knowledge of some common traits of successful agents can guide the insurers in the recruitment of agents. The cornerstone of recruitment activity is building the profile of an agent one seeks to attract and develop a ‘Scorecard’.

The agents need to work in a ‘**Natural market**’ made up of close alliances and ‘**Open market**’ consisting of the whole lot of unknown prospects. An agent can earn his decent livelihood only if he expands his business in the open market quickly and continuously. To establish himself in the competitive open market, an agent needs to display his competence, superiority and advantage of his products over the other options. This can be achieved with continuous skilling



of the agent and adequate support by his supervisor. To sustain in the demanding life insurance industry, an agent requires to invest his time to earn subject knowledge. **‘A systematic In-house Training’** that imparts knowledge, inculcates the desired attributes and develops the competencies to survive and thrive in the market is highly essential for every life insurance agent. It also helps them gel into the culture of the company and build loyalty to the company.

During the **pre-appointment training**, the insurers need to educate the agents about technicalities of life insurance & insurance industry and teach them about their duties and responsibilities of selling, with pride, a noble product like life insurance. The insurers also need to arrange an ‘Induction’ and continuous need-based training for all their agents.

The truly driven and passionate agents see life insurance agency as a **full time** and long-term career opportunity. However, a large proportion of the agency force consists of **part-time** agents who at times are not willing to invest their time to learn and support their customers.

**The ‘Composite Insurance Agency’** is one option that provides more selling opportunities to an insurance agent by providing comprehensive solutions to a greater number of clients. It can also reduce his operating cost by enabling him to deliver services of both life and non-life products to customers from the same office or during a single visit. The composite insurance agency has imposed a new challenge for the insurers because if not taken care of properly, it can cause wrong selling, attrition or reduced productivity of their agents.

**The role of Agency Supervisors is very crucial in the building of agency vertical** as they select individuals to be agents and nurture them. They need to have the skill to motivate their agents although they need not have complete authority over them. The insurers need to carefully select the agency supervisors/ managers by confirming their attitude, marketing aptitude, integrity, people skills and willingness to work hard.

- Only the fully equipped agency supervisors can systematically segment the markets, plant suitable agents and train & mentor them to realize their full potential. Hence, it is very essential to train the agency supervisors on a continuous basis to enhance their capabilities. As of now, to build and develop a high-quality sales force, the life insurance industry needs a shift from ‘Generic training’ to **‘Life cycle-based training’ for the agency supervisors.**
- The life insurance industry is also very much concerned about the **attrition of agency supervisors.** They are under pressures of completion of targets of URN generation, agency appointments and business procurement. They are also lured by the competitors. If an

agency supervisor switches the company, generally his agents also follow him. Structured onboarding and induction of the new agency supervisors, constant motivation and continuous feedback on performance - are some of the ways to retain the agency supervisors.

### **Some of the Activities for the insurers to attract greater numbers to agency**

- Brand “Life Insurance Agency” as a remunerative and noble profession to earn self-pride and industry recognition.
- Highlight the qualities required to become a good advisor and showcase & project the successful agents as the ‘brand ambassadors’ in the media to attract good profiles.
- Provide wide publicity to the training and support being provided to the advisors and various benefits and the growth opportunities available for them in the company.
- Segment the agency market and employ appropriate publicity and advertising media (including social media) to attract the desired agency profiles.
- Arrange for an exclusive recruitment team that works closely with the front-line agency managers to assist them recruit new agents.

### **Activities for the insurers to enhance the productivity of agents**

The insurers need to make conscious efforts to improve the productivity of their agents on various parameters for long term profitability along with increasing the numbers in the agency fleet. Enhancing the productivity of agents requires a robust training and mentoring system in place. To improve productivity and consequent retention of agency force, the insurer needs to keep in mind the following–

- Pre-recruitment evaluation standards; systematic and scientific on-boarding of the agents
- Proper handholding, monitoring and periodical review of new agents with all seriousness
- Train the agents to analyse customer needs and to provide holistic insurance solutions
- Suggest suitable product mix to agents to meet their needs of decent remuneration
- Segmentation of agents and fulfilment of their differential product and training needs
- Enlightening the agents about digital disruption and enabling them digitally & analytically
- Performance based incentives and well-designed career path for agents.

## **Retention of agents**

The insurers face various challenges to retain their existing agents. The challenges are grouped under – identification of candidates not suitable for agency profession, personal conditions of an agent, factors related to internal environment of the company and challenges in the external environment. **To improve the retention of agents, the insurers need to -**

- Develop new recruitment profiles for agents as well as sales managers from ‘More business with more people’ to ‘Sustainable business with better qualified people’.
- Ensure quality of the recruitment process that confirms selection ‘By’ the candidates
- Ensure induction, product & selling skills and regular need-based training of agents.
- Work hard to increase awareness in the society about the need of Life Insurance.
- Build high engagement levels with the agents right from the day they join.
- Work immediately on the agents as they join to ensure that they receive their commission.
- Induct the agents to work in the secondary market as early as possible.
- Inculcate the best habits in the agents right from the beginning.
- Identify the agent segments and provide them focussed training on digital initiatives.
- Empower all the agents to understand and deal with the digitally changed climate.
- Constantly track monthly activation levels of agents. Initiate special efforts if necessary.
- Keep the agents motivated with incentives, frequent felicitation and recognition programs.
- Arrange for a continuous feedback system with various digital tools to assist the agents to achieve higher business performance.
- Organise lead generation campaigns to increase better quality leads for the agents.
- Support the agent activities for retention of their customers e.g. prompt service support
- Build the competence of agents through webinars, trainings, unit meetings and joint calls.
- Ensure frequent dialogue with agency managers to understand the support needed by them
- Devise an incentive scheme for agency managers with desired focus.
- Use the database of existing clients for cross selling by applying ‘Artificial Intelligence’.
- Automate the services being provided to the agents and the policyholders.

## **Findings and Suggestions Specific to LIC of India**

Traditionally, the individual agency channel has been the major contributor to new business for ‘Life Insurance Corporation of India (LIC)’. However, during this Research Study it is revealed that the force of Development Officers (DOs) of LIC who have the responsibility to appoint agents, to enhance their productivity and to retain them on rolls is getting weakened

day by day. The new DOs do not show interest and the senior DOs do not recruit any agent or do not recruit in larger numbers. Hence, ultimately, to build a strong Agency vertical, as a first step LIC needs to strengthen its cadre of agency supervisors.

**It is reported that more than 50% of Apprentice Development Officers (ADOs) of LIC exit within 1 year of their joining. The following are some suggestions to improve upon:**

- ✓ A pre-recruitment counselling of the prospective ADOs, introduction of an “Aptitude Test”, balancing of weightages to the Main exam, Aptitude test and Interview in the selection process of ADOs, more opportunity to promising agents as ADOs, special batches of ADOs from existing agents, review of the minimum and maximum age limits for ADOs, increase in the value of the four-year ‘Guarantee Bond’, special and separate recruitment drives to post Development Officers for its rural branches.
- ✓ Designing of a standardized curriculum for training of ADOs with improved standard of training topics and activities that clearly provide a complete roadmap for a ‘Probationary Development Officer (PDO)’ to enter into and stabilize in the market.
- ✓ Ensuring support to PDOs by Branch Marketing Officials (BMOs) during their probation
- ✓ Provision of a period of 3 years for its PDOs to groom and develop to the level of an experienced Development Officer. The cost ratio (may be remuneration) and business targets for a PDO to be reviewed and increasingly spread over a period of 3 years.

**Other suggestions:**

- To conduct in-depth analysis of the present motivational framework for DOs and redesign it suitably to provide the required motivation to its senior DOs for agency development.
- To keep in the forefront the specific training needs of the Chief Life Insurance Advisors
- To design an attractive incentive scheme for the BMOs heading the marketing activities as well as the Faculty entrusted with the training of the agents and agency supervisors.
- The agency supervisors of LIC need to be supported with robust training that would empower them to provide product knowledge, perseverance & confidence to their agents. LIC needs to improve the standard and frequency of its training programs for agency supervisors and to make the attendance compulsory **to earn basic benefits** in addition to the incentives to take care of those who do not understand the importance of training.

**For strengthening the agency force LIC needs to do the following:**

- ✓ To attract a greater number of candidates for agency change the nomenclature of its “Life Insurance Agent” to a new era name which could make a positive impact on its existing agents as well as the prospective candidates.
- ✓ Bring cultural change within to improve the self-esteem of its individual agents.
- ✓ Make aware the existing agents and the agency prospects of the benefits of LIC agency.
- ✓ Aggressively market its career option of ‘Life Insurance Agency’.
- ✓ Create exclusive cell to attract HNI candidates as its ‘Life Insurance Advisors’.
- ✓ Recruit and retain a greater number of young agents.
- ✓ Redesign the ‘Career Agency Scheme’ for promising unemployed people.
- ✓ LIC needs to segregate in mega cities - “Agency Recruitment”, “Training” and “Business Procurement” and handover the exclusive portfolios to 3 different teams of expert people.

**To enhance the productivity of its agents LIC needs to do the following:**

- ✓ **Train the agents for “Need based selling”, “Product combo-based selling” and “Repeat sales” that would take care of their long-term commission earnings.**
- ✓ Segment the agents into different categories and focus on their needs accordingly.
- ✓ Review regularly and monitor periodically the performance of the agents.
- ✓ Encourage the performance of the agents individually and recognise collectively.
- ✓ Incentivise the performance and business growth of agency supervisors and the BMOs for different category of agents.
- ✓ Maximize automation of the processes to help improve servicing efficiency.
- ✓ Leverage cross-selling opportunities in each Composite Agency in an effective way

**To improve the retention of its agents LIC needs to do the following:**

- ✓ Ensure pre-appointment training of individuals to lay a strong foundation to develop a professional Life Insurance Advisor. Adopt a robust, regular and continuously running post-appointment training system to create an army of competent life insurance agents.

- ✓ LIC has a product basket that caters to the requirements of all classes of customers. Provide confidence and knowledge of different products to the agents so as to fulfil the financial needs of customers, commission requirements of agents and the organisational goals.
- ✓ Ensure healthy and supportive relations between agents and the staff of LIC Units with common goals, frequent interactions and mutual respect between them.
- ✓ Carefully review the ‘Minimum Business Guarantee (MBG)’ and other criteria to achieve the desired results in different areas.

## **Conclusion**

Considering its competitive advantage, the individual agency channel would continue as the most effective proprietary distribution channel for the successful life insurers. To develop a strong tied agency, as the first step, the stakeholders need to improve the social status of the agency profession and the insurers need to focus on selection and capability development of their agency supervisors. The insurers need to ensure robust policy decisions at the top level and their religious implementation at the ground level. A systematic selection of agency profession ‘by’ the prospects, a well-designed strategic onboarding, continuous skilling, ensuring decent commission and incentives for agents and ensuring conducive internal environment at the work units - are the keys to enhance productivity and retention of agents. The stakeholders should keep in mind that the value chain can only be as strong as its weakest link!

## **CONTENTS**

### **1. Introduction**

1.1	Distribution of life insurance products	1
1.2	Options of ‘Distribution Channels’ for the life insurers	3
1.3	Economics of the distribution channels	4
1.4	The ‘Individual Agency Channel’	4
1.4.1	Structure of multiple layered ‘Individual Agency Channel’	4
1.4.2	‘Individual Agency Channel’ of Indian life insurers	6
1.4.3	Challenges for the ‘Individual Agency Channel’	9
1.4.4	Challenges in building an ‘Agency Vertical’	9

### **2. Research Methodology**

2.1	Background	11
2.2	Objective	12
2.3	Study design	12
2.4	Limitations of the study	14

### **3. Discussion and Findings - The Profession of Life Insurance Agency**

3.1	Eligibility criteria to become a ‘Life Insurance Agent’	18
3.2	Why individuals do not opt for life insurance agency as a Profession	18
3.3	Desirable qualities to be a sustainable life insurance agent/ advisor	19
3.4	Appointment of life insurance agents	21
3.4.1	Challenges faced by the life insurers during recruitment of agents	21
3.4.2	Go with selection “by” the candidates	22
3.5	Types of Markets for an individual agent	23
3.5.1	Ways of working in the open market	25
3.6	Training of individual life insurance agents	27
3.6.1	Pre-appointment Training for life insurance agents	28
3.6.2	Post-appointment skilling of agents	28
3.6.2.1	Induction	29

3.6.2.2	Regular training for Agents	29
3.7	Full-time agents and Part-time agents	30
3.8	Composite Insurance Agency	31
3.9	Agency Supervisors	33
3.9.1	Recruitment of Agency Supervisor/ Manager	33
3.9.2	Training to Agency Supervisors/ Agency Development Managers	33
3.9.3	Attrition of agency supervisors	35
3.10	Activities to attract greater numbers to agency profession	36
3.11	Strategy to enhance the productivity of agents	38
3.12	Retention of agents	40
3.12.1	Challenges in retaining existing agents	41
3.12.2	How to improve the Agency Retention Rate	45
<b>4. Findings and Suggestions Specific to LIC of India</b>		
4.1	Agency Supervisors in LIC of India	48
4.2	Branch Marketing Officials (BMOs) of LIC	49
4.3	Challenges specific to LIC of India in appointing agents	49
4.3.1	Challenges related to Agency Supervisors of LIC	50
4.3.1.1	Recruitment of Development officers and their training	50
4.3.1.1.1	Recruitment of Development officers	50
4.3.1.1.2	Training to Apprentice Development Officers (ADOs)	52
4.3.1.1.3	Support to Probationary Development Officers	53
4.3.1.1.4	Business Targets to Probationary Development Officers	54
4.3.1.2	Motivation to Senior Development Officers for Agency Development	55
4.3.1.3	The Channel: Chief Life Insurance Advisor (CLIA)	57
4.3.1.4	Training: Continuous knowledge upgradation of Agency Supervisors	57
4.3.2	Challenges related to Branch Marketing Officials of LIC	59
4.4	Strengthening the Agency Force	59
4.4.1	Attract candidates for LIC agency	60
4.4.2	Increase productivity of its agents	63



4.4.3	Retention of Agents	65
4.4.3.1	Attrition of LIC Agents	65
4.4.3.2	What can be done by LIC to retain its agents	69
4.5	Training of Agents: Right knowledge, Right skills and Right attitude	70
4.6	Utilization of Product Basket of LIC	72
4.7	Relation between the staff and the agents of LIC	73
4.8	“Minimum Business Guarantee (MBG)” of LIC	75
<b>5.</b>	<b>Conclusion</b>	77
<b>6.</b>	<b>References</b>	78
<b>7.</b>	<b>Web Resources</b>	78
<b>8.</b>	<b>Bibliography</b>	79

## **List of Tables**

1. Relative Market Share of Distribution channels of life insurers	2
2. Number of individual agents tied to life insurers	7
3. Turnover of individual agents in Indian life insurance industry	10
4. Common traits of Successful Agents	20
5. Refresher Training and Specialised Training Sessions	29

## **Abbreviations and Acronyms**

ADO	-	Apprentice Development Officer
AP	-	Authorized Person
BFSI	-	Banking, Financial Services and Insurance
BFSI SSC	-	BFSI Sector Skill Council
BMO	-	Branch Marketing Official
BOP	-	Business Opportunity Presentation
CLIA	-	Chief Life Insurance Advisor
CRM	-	Customer Relations Management
CSC	-	Common Service Centre
DO	-	Development Officer
ERC	-	Eligibility of Renewal Commission
ETI	-	External Training Institute
FMCG	-	Fast-Moving Consumer Goods
FSE	-	Financial Services Executive
HNI	-	High Net Worth
IB	-	Incentive Bonus
IMF	-	Insurance Marketing Firm
IRDAI	-	Insurance Regulatory and Development Authority of India
ISP	-	Insurance Sales Person
IT	-	Information Technology
KYC	-	Know Your Customer
LIC	-	Life Insurance Corporation of India
LICA	-	LIC Associate
MBG	-	Minimum Business Guarantee
MWP Act	-	Married Women's Property Act
NIA	-	National Insurance Academy
NSDC	-	National Skill Development Council
NSP	-	Non-Single Premium

PAN	-	Permanent Account Number
PDO	-	Probationary Development Officer
PLLI	-	Productivity Linked Lumpsum Incentive
POSP	-	Point of Sales Person
PSU	-	Public Sector Undertaking
SAHI	-	Stand Alone Health Insurance Company
SBA	-	Senior Business Associate
SP	-	Specified Person
T&D	-	Training & Development
ULIP	-	Unit Linked Insurance Policy
URN	-	Unique Registration Number

## **CHAPTER 1**

### **Introduction**

The successful business performance of life insurers, in the future, would depend on selecting and appointing a larger number of suitable and capable individuals to market and sell life insurance and to ensure their continuance with increasing productivity. This study deliberates on the challenges faced by the life insurers to appoint individual agents and at the same time to retain them. Before we begin the discussion, it would be pertinent to refresh our ideas of the basics of life insurance distribution and the characteristics of individual agency channel.

#### **1.1 Distribution of life insurance products**

The 'life insurance policies' being sold today are intangible financial products packaged as a combination of 'life risk cover' and 'savings/investment'.

The distribution of life insurance policies is very critical from the marketing point of view because the promotional activities such as advertisement by insurers through various media may not actually create a demand for life insurance products. It is the life insurance intermediary who is required to work hard to 'push' life insurance. Also, the life insurance intermediary needs to conduct primary risk underwriting of the individual which then becomes the basis of life insurance contract between the insurer and the individual.

Though, a life insurance policy is the most essential financial instrument for every insurable individual, it is perceived to be of least priority for majority of the individuals. The reason being that in India the financial literacy is not at the desired level and the people are not completely aware about their personal financial needs and their management. The comparatively low level of 'life insurance penetration' and 'life insurance density' is a major concern for India. This is being addressed at various levels by creating awareness about the need for life insurance among all sections of the society, developing suitable life insurance products and organising far reaching, efficient and effective channels of distribution of life insurance products.

Thus, the distribution of life insurance has a very important role in the development of life insurance sector because, it not only fulfils the need for life insurance but largely, it increases awareness for the need for life insurance and creates a 'pull' for life insurance policies.

The success of the sale of a life insurance policy is always by a face-to-face communication between an insurance intermediary and the prospective policyholder. The intermediary needs to explain the insurance products, answer the individual's queries, handle his objections and finally close the sale. The policyholder who enters into a life insurance contract that is typically for a long term, would also require periodic assistance from the intermediary for various services during the term of the policy.

**The individual life insurance agents/advisors** have been the traditional distributors of life insurance policies all over the world. In India, the largest life insurer - LIC of India - had pursued with the "individual agency" as its only distribution channel for quite a long time.

Consequent upon the formation of "Insurance Regulatory and Development Authority of India (IRDAI)" in the year 2000, the Indian insurance industry was opened to private players. The novice marketing strategies of the new players and the regulatory allowances paved way for the introduction and growth of alternate distribution channels.

The competitive ecosystem of Indian life insurance is now thriving with 23 private insurers, along with the public sector insurer - LIC of India. With the emergence of various distribution channels post liberalization, the reach of life insurance delivery mechanism in India has certainly expanded allowing for the development of the sector. At the same time 'the individual agents' with their painstaking efforts have continued to be the backbone of Indian life insurance industry, being the highest new business contributor year after year.

**Table no. 1: Relative new business contribution of distribution channels of life insurers**

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
<b>Total (A)</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>

(IRDAI Annual Report 2019-20 & 'Public Disclosures for the Insurance Companies' - [www.niapune.org.in](http://www.niapune.org.in))

## **1.2 Options of ‘Distribution Channels’ for the life insurers**

New business procurement through the individual agents who are tied to only one life insurance company is the **traditional way** of distribution of life insurance products. This ‘Tied Agency’ channel is also known as the ‘In-house’ or ‘Proprietary Channel’ as it is owned and controlled by a particular insurance company. There are **alternate ways** of insurance distribution which involve external agencies also.

As part of their strategic vision and mission, insurance companies need to develop their holistic distribution plans, not only to suit their products, but also to suit their targets, market conditions and requirements of their customers. In a service industry like life insurance, it has quite often been observed that developing distribution is rather more difficult than developing the products; more so, if the market is highly competitive (Bajpai & Navare, 1994).

The conscious efforts taken by IRDAI to develop the insurance sector and the market competition have encouraged the insurers to adopt innovative ways of distribution. Over a period of time, as a result of various environmental, operational and technological changes, multiple distribution channels have taken roots in the Indian insurance industry. Some of the factors that have driven the insurers to try alternate channels are – ready to use infrastructure, access to huge database with ease of operational integration, convenience to customers, reach to untapped market and saving of cost (Majumdar, 2016).

### **The Indian life insurers now have the following types of alternate distribution channels:**

1. Marketing organisations like Corporate Agents including Banks, Insurance Marketing Firms (IMFs), Web Aggregators, Common Service Centres (CSCs) etc.
2. Direct Marketing (offline and online)
3. Micro Insurance Agents, Point of Sale Persons (POSPs)
4. Brokers

In India, following the individual agency channel, ‘Bancassurance’ is the largest distribution channel that provides convenient and effective distribution platform especially for insurance companies that are promoted by banks.

Though the structure, scope and reach of the alternate channels are different, except for the online channel, all others require a human interface like Specified Person (SP), Financial Services Executive (FSE), Insurance Salesperson (ISP) or Authorized Person (AP) to get connected with the clients.

### 1.3 Economics of the distribution channels

It would be worthwhile for a life insurance company to examine the cost-benefit analysis of the distribution channels aligned to its strategic vision to arrive at the selection of a particular distribution channel. Where external distributors like brokers or corporate agents are employed by the insurers, in most of the cases, their remuneration costs are high, and it affects profitability of the insurers.

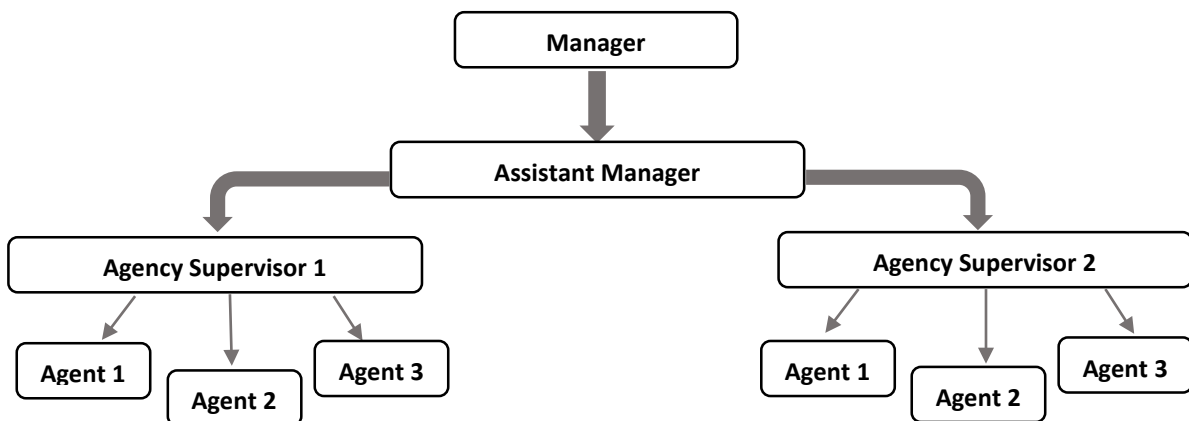
Building up an internal channel like “Individual Agency” requires considerable amount of time, money and energy for recruitment, training and retention of the workforce. The cost of this channel could be high in the short run but, gets diluted in the long run. However, the danger of trained manpower – like individual advisors, agency/ managers and trainers - being poached, head-hunted or lured away is quite real in a competitive market environment. Hence sometimes, even in the long run, economy in the “Individual Agency Channel” becomes elusive. Considering the overall cost of recruitment, training and maintenance, the individual agency channel seems to be more expensive, but it has the benefit of loyalty factor which is not available with the external channels having multiple tie-ups in the same insurance line.

*(Bajpai & Navare, 1994)*

### 1.4 The ‘Individual Agency Channel’

#### 1.4.1 Structure of multiple layered ‘Individual Agency Channel’

Almost all Indian life insurance companies have developed their own multi-layered individual agency channel. Typically, the structure could be





The multi-layered individual agency channel has been found to be an essential part of an agency organisation that is large. It has been found to facilitate to identify and appoint agents in large numbers and also help in their initial training. It is also observed that a layer of supervisors brings in more effective coordination and can attain higher level of productivity of agents with closer supervision and continuous motivation (Bajpai & Navare, 1994).

### **Functions and responsibilities of layers of Individual Agency Channel:**

#### **Agents:**

The agents are the first line workers of the agency vertical of a life insurance company. They represent the company with whom they work. Their duties include prospecting of clients, meeting prospective clients to discuss insurance products, finalize the sale and forward the papers to the life office. They are also supposed to render post-sales services to their clients.

#### **Agency Supervisors/ Agency Managers/ Development Managers:**

The 'Agency Supervisors/ Agency Managers' or 'Development Managers' develop the agency force and act as a link between the agents and the sales management of the company. The duties and responsibilities of these officials may include prospecting to recommend the prospects for appointment as agents, providing initial training to them, providing targets and guiding-supervising-coaching-motivating-handholding the agents under their supervision. The agency supervisors are also supposed to help their agents in providing post-sales servicing to their policyholders.

**The Assistant Managers** supervise a team of agency supervisors. For large agency organizations, there can be more than one layer of Development or Assistant Managers.

#### **Managers**

Managers - who are part of the company's management team - are generally entrusted with the full responsibility of developing the agency vertical, strengthening sales in the areas under their jurisdiction and arranging trainings for the sales force. The duties and responsibilities of a manager also include - fixing targets of agency appointment and New Business for their sales units and guiding-supervising-motivating-controlling and reviewing activities of the whole sales team. The managers also look after the office administration and they are generally responsible for the whole lot of customer servicing functions.

*(Bajpai & Navare, 1994)*

### **1.4.2 ‘Individual Agency Channel’ of Indian life insurers**

With the nationalization of the Indian life insurance sector, LIC of India came into existence on 1<sup>st</sup> September 1956. It started its operations with absorption of about 2 lakh individual agents from nearly 245 private insurers and provident societies. In the next 2-3 years, the agency count of LIC settled at a lower level and thereafter it started growing. In the year 1987, LIC crossed its agency figure of 2 lakhs, and it continued growing at a fair rate. In the year 2000, Indian life insurance market was opened for private insurers. Till that time, LIC of India had built its countrywide, huge and strong agency network of more than 7 lakh agents with about 95% activation.

With regulatory allowances, various alternate distribution channels started emerging thereafter. Taking into consideration all the pros and cons of various intermediaries, the insurers started developing their own product delivery frameworks in the competitive market. Though “Individual Agency” was not a ‘Channel of choice’ for some of them, all new entrants in the life insurance market started building their own agency network that could be for the following obvious advantages.

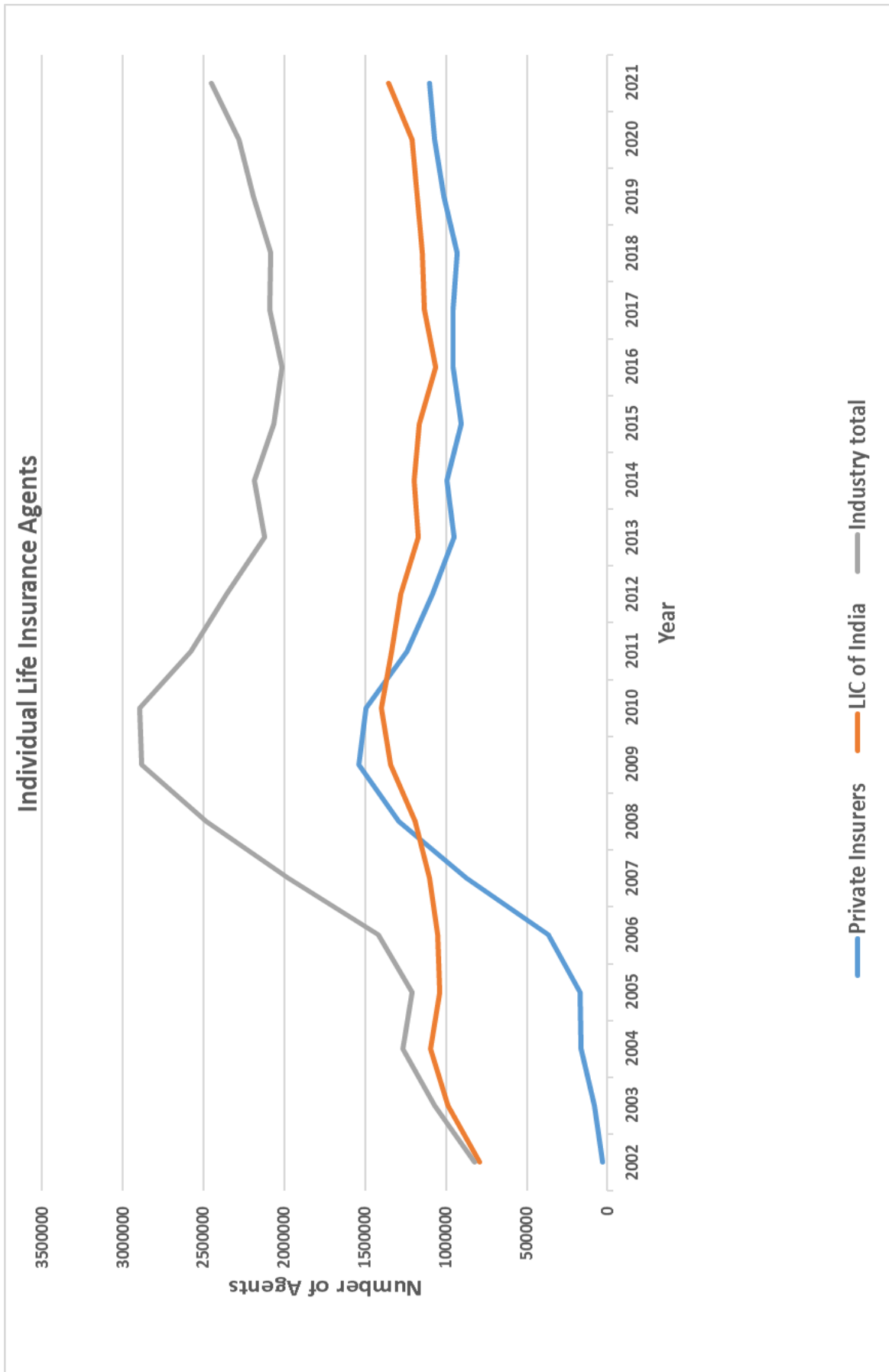
#### **Advantages of the ‘Agency Channel’:**

1. Individual agency channel being the company’s own sales force, can be appropriately recruited, suitably trained and properly oriented to the company’s culture.
2. Tied agency organisation can be developed as a regular cadre with total commitment for the growth and prosperity of the company.
3. Company’s sales targets can be easily allocated amongst various agency units. Performance of these units can be periodically reviewed in relation to the targets and necessary steps can be taken wherever necessary.

*(Bajpai & Navare, 1994)*

Experience has proved that in emerging countries like India where communications are inadequate, awareness about insurance is generally lacking, levels of economic prosperity are low and the population is spread over large areas, there is a necessity to develop an in-house distribution channel like - tied agency<sup>1</sup>. It seems that every Indian life insurer is now aware of the importance of individual agency and after two decades of opening of the sector, the Indian life insurance market has nearly 25 lakh individual agents working therein. Table no. 2 gives year wise strength of individual agents of all Indian life insurance companies since commencement of their operations. It is followed by a graphical presentation.

		Table no. 2 - Number of Individual Agents tied to Life Insurers																	Source: IRDAI Handbook: 2013-14 & Life Insurance Council - Individual Agents Data				
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	90637	110638	82048	91720	81628	85995	94775	
2	HDFC Life	2000-01	3214	10145	17178	23679	34881	74016	144734	207741	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	151663	170572	190924	187560	
4	Max Life	2000-01	2620	3379	5608	7567	12510	21700	33717	78287	64645	40065	35368	35384	42620	43305	45276	54283	56868	50854	45979	55217	
5	Bajaj Allianz Life	2001-02	4377	14157	36251	32565	109141	216191	250239	204941	167741	189667	173146	148000	169634	120882	88975	77087	70763	72719	80524	88102	
6	Exide Life	2001-02	1135	2291	5714	10379	21544	33944	52760	76058	53273	34957	29396	28528	35140	32357	50300	56034	46126	48633	44383	36928	
7	Kotak Mahindra Life	2001-02	1348	3730	6511	2900	12523	24484	34723	42083	35897	38269	31297	33740	44395	55548	86303	96729	94688	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	150590	124038	109042	106022	129683	162276	65099	55492	63016	42604	
10	SBI Life	2001-02	719	1486	2181	2080	5046	18019	22360	43534	23753	33353	86989	94138	110491	83656	92619	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	27638	28704	26963	29469	30926	50367	
12	Aviva Life	2002-03		1868	5002	3806	10974	29052	35307	30838	32728	23219	19126	17470	19985	18885	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	10375	
14	Shriram Life	2005-06					5759	10384	17659	19759	21554	10139	6380	5351	4637	4460	4422	4508	4488	4455	4436	3784	
15	Bharti AXA Life	2006-07						1235	14045	28932	33011	15512	14842	13269	16733	19132	20561	18535	28638	38382	43316	33213	
16	Future Generali	2007-08							11	24437	42613	52666	41281	27437	27292	17150	17919	8756	11890	7629	3928	2861	
17	Ageas 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	8607	9112	4757	2678	999	261		
22	IndiaFirst Life	2009-10									296	1658	2959	3790	4825	2468	2910	1660	2038	2540	1914		
23	Edelweiss Tokio Life	2011-12											825	3401	7255	10421	15490	21449	31031	46681	51723	57773	
	Private Insurers		34222	80083	166273	170942	367952	873887	1292236	1538358	1495846	1244776	1080651	949774	992584	904303	955005	957341	933856	1015518	1069540	1101268	
24	LIC of India	1956-57	792112	988358	1098910	1041737	1052283	1103047	1193744	1344856	1402807	1337064	1278234	1172983	1195916	1163604	1061560	1131181	1148811	1179229	1208826	1353808	
	Industry total		826334	1068441	1265183	1212679	1420235	1976934	2485980	2883214	2898653	2581840	2358885	2122757	2188500	2067907	2016565	2088522	2082667	2194747	2278466	2453076	



### **1.4.3 Challenges for the ‘Individual Agency Channel’**

1. It requires heavy expenses to be incurred on the training of agents. Exits in agency organisation further add to the cost.
2. Notwithstanding the expenses incurred, the agency force may not be groomed adequately and hence may not perform well.
3. It could be difficult to expect from the individual agents the benefits of special knowledge related to market, marketing techniques and of the products which are generally available with alternate channels like Brokers. Agents’ knowledge may get restricted to company’s products and they may lack knowledge of wider market if proper measures are not taken.

*(Bajpai & Navare, 1994)*

**In spite of these challenges the tied agency continues to be the most effective way of distributing life insurance in India and its limitations can certainly be taken care of by the vigilant insurers to reap the full benefits of the channel.**

### **1.4.4 Challenges in building an ‘Agency Vertical’**

To build a strong agency vertical has always been a tough challenge for the life insurers. Initially, it is very difficult to attract capable candidates to life insurance marketing and to appoint them as individual agents. The profession of life insurance agency has the potential of earning limitless income and that too with flexible working hours. Still the insurers find that people are reluctant to take up life insurance agency due to various apprehensions like – it is not a ‘fixed time - fixed income’ job, it has a very long struggling period and above all, it is not a profession with high social status.

The next difficult step for the insurers is to train the on-boarded agents, make them active and let them have a taste of the income that they could earn. Along with their lucrative remunerations the insurers have in place their training and support mechanism for the newly appointed agents. But it is found to be not easy for the insurers to make the agents attend the trainings and start procuring business even with one policy. As per industry experience nearly 30 percent of agents go out of books in one year.

The attrition of agents is a major problem for life insurers which causes great loss of agency count and the loss of potential sales in the agents’ network. In the next step, the insurers need to take a lot of efforts to make the agents productive and to ensure their retention. As per industry experts, the four years’ agency retention rate of Indian life insurance lingers around a

low 15 percent, indicating a huge churning of individual agents. Table no. 3 summarizes the turnover of individual agents of Indian life insurers from April 2015 to March 2021. Though the agency numbers of Indian life insurance industry show net growth, further analysis of these numbers reveals tremendous attrition of agents in the industry. In fact, this data has triggered this Research Study about 'Individual Agency Channel' by the Academy.

**Table no. 3 - Turnover of individual agents in Indian life insurance industry:**

**LIC of India**

Year	No. of agents as on 1 <sup>st</sup> April	Appointments in the year	Exits in the year	Net no. of agents as on 31 <sup>st</sup> 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
<b>Total</b>		<b>18,07,898</b>	<b>16,17,694</b>	

**Net addition of agents - 1,90,204**

**Private Insurers**

Year	No. of agents as of 1 <sup>st</sup> April	Appointments in the year	Exits in the year	Net no. of agents as on 31 <sup>st</sup> 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
<b>Total</b>		<b>20,04,801</b>	<b>18,07,835</b>	

**Net addition of agents - 1,96,966**

**Life Insurance Industry**

Year	No. of agents as of 1 <sup>st</sup> April	Appointments in the year	Exits in the year	Net no. of agents as on 31 <sup>st</sup> 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
<b>Total</b>		<b>38,12,699</b>	<b>34,25,529</b>	

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

**During last 6 years - Net addition of agents 3.87 lakh,  
Appointments - 38.12 lakh, Exits - 34.25 lakh**

*(Source: Life Insurance Council 'Individual Agents Data')*

## CHAPTER 2

### Research Methodology

#### 2.1 Background

The ‘Individual Agency Channel’ is one of the most important drivers of growth in the Indian life insurance market. To meet the market competition, the insurers need to build a strong agency vertical by appointing and retaining a good number of agents. But, over the years, the life insurance industry has been grappling with huge attrition of agents.

***IRDAI expressed its concern over agency turnover in its Annual Report 2014-15:***  
***Reduction in the number of agents may adversely affect the life insurers’ business, persistency and public perception of the agency channel as a stable career. It is, therefore, in the interest of the stakeholders to work on reducing the turnover of agents and build a stable and growing agency force...***

In the year 2014-15, IRDAI issued “Guidelines on Appointment of Insurance Agents, 2015” on 16<sup>th</sup> March 2015 followed by the “IRDAI (Appointment of Agents) Regulations, 2016” on 15<sup>th</sup> April 2016. The following were the major provisions to be effective from 1<sup>st</sup> April 2015.

- An insurer is the authority to appoint its individual agents (previously it was IRDAI)
- An agent who has surrendered his appointment with one insurer may seek appointment with other insurer after a period of 90 days from the issue of the cessation certificate by the previous insurer. There is no need to pass the agency examination again.
- Every insurer is required to submit its board approved policy covering agency matters to IRDAI by 31<sup>st</sup> March every year

It can be observed from table no. 3 that in the year 2020-21, all the insurance companies together appointed about 6 lakh agents. This number appears to be low on the backdrop of the recruitment potential of the insurers and the unemployment conditions in India.

**Pew Research Center Report, 2019** – “... Lack of employment opportunities is seen by the public as India’s biggest challenge, with 76% of adults saying it is a very big problem...”

**CMIE statistical profile September-December 2020** –  
“... Nearly 4.20 Cr. Indians have educational qualification of 10<sup>th</sup> Standard and above and they are willing to work, but they are unemployed...”

Along with low levels of agency appointments, it can also be observed from table no. 3 that there is huge attrition of agents in Indian life insurance industry. During the period of 6 years from April 2015 to March 2021, more than 38 lakh agents were appointed in the life insurance sector; but the net addition in the agency force was only about 3.87 lakhs; because during this period, 34.25 lakh agents dropped out.

This huge turnover is certainly alarming for all the stakeholders. The attrition of agents causes great loss to the insurers. It is not only limited to the money spent on their training, but it also includes the policies to lapse consequent to the servicing issues. The agency attrition also causes severe damage to the market reputation of the insurers and the image of the agency profession as such.

The concern over the less than desired appointments of life insurance agents and their huge attrition made the Academy to take up this study across the Indian life insurance industry.

## 2.2 Objective

**The objectives of the study are to critically examine:**

- 1) The difficulties faced by the life insurers to appoint new agents
- 2) The challenges faced by the life insurers to retain their agents
- 3) The various actions taken by the insurers to overcome those challenges and come up with suggestions to strengthen the agency forces of the life insurers.

The findings of the study could help all the stakeholders to decide upon their strategies for the benefit of their own and the insurance industry.

## 2.3 Study Design

As a first step of this study, we referred to various relevant literature - articles, reports and research papers available in the public domain to understand more about the peculiarities of the individual agency channel, the problems related to recruitment & retention of agents and their solutions, particularly in India and in different parts of the world. We could arrive at some



common challenges faced by the life insurers during the appointment of agents and some ‘push’ and ‘pull’ factors attributing to attrition of agents.

We then gathered the data available in the Annual Reports of IRDAI, IRDAI Handbooks and the website of the Life Insurance Council to understand the trends of agency channel of the life insurers and the relative importance of agency channel for the life insurers in India.

Based on the groundwork, we prepared an interview guide to discuss upon with the officials who look after individual agency channel of the life insurers in various capacities. There are 24 life insurance Companies in India and their agency channels mainly comprise of - individual agents, agency supervisors, assistant managers, branch managers and agency vertical heads. During the pilot study we conducted in-depth interviews of 6 selected agents and 21 officials 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 two conclusions -

1. The administration and the associated problems of agency channel are very different for LIC of India than the private insurers and they need separate analysis.
2. The industry practitioners have a lot of experience and wisdom to share with and their views can be well captured with open-ended questions rather than close-ended questions or marking on rating scales.

Hence, on the basis of the learnings from the in-depth discussions/ interviews with the industry experts 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 the private insurers. With respect to LIC of India, there were separate questionnaires for the development officers, branch heads and divisional heads of agency channel. For private insurers, the questionnaire was prepared for their vertical heads. A separate questionnaire was prepared for individual agents.

Even during the busiest days of the year, the individual agents and the industry experts spared their valuable time and responded to the questionnaires. We collected 51 responses from the agents and 38 responses from the insurance managers of various cadres working in different parts of the country. Three well-known insurance trainers also shared their views with us.

The discussions and the suggestions mentioned in this study report are based on compilation of the inputs provided by the respondents who have been closely associated with the development and control of the individual agency channel of life insurers. This report has also consolidated the insights provided by the experienced trainers with a view to effectively address the objectives of the study.

This study report has begun with an introduction to ‘Distribution of Life Insurance Products’ and ‘the Characteristics of the Individual Agency Channel’. In the next section, *on the basis of the inputs received from the industry experts*, the report would discuss in detail about the life insurance agency profession including essential qualities to become a life insurance advisor, challenges faced by the life insurers to recruit and retain their agents and their remedies, training structure for the agents & the agency supervisors and composite insurance agency. In the next part of the report, the challenges specific to LIC of India would be discussed.

This study report would try to come up with some suggestions regarding the steps and actions that are required to be taken by the life insurers to strengthen their agency force by recruiting a greater number of candidates, improving their productivity and enhancing their retention.

## **2.4 Limitations of the Study**

The discussions and findings in this report have been extracted from the qualitative inputs that we have collected from 121 life insurance industry experts and agents from all over India. Though the interviews were in-depth and the responses were exhaustive, the sample size appears to be very small as against the huge number of individuals associated with life insurance industry in India. Also, not all private insurers have participated in this project. Hence, this study may not be considered as a complete reflection of the industry wisdom. This report could have missed some pieces of great knowledge.

Also, taking into consideration the broad canvass of the project, the questionnaires for this study were designed to probe into the major challenging areas of the insurers that were detected during the pilot study. The focus of the questionnaires was to obtain generalized opinions of the life insurance officials and experts based on their wisdom and practical experience earned through their close association with the channel and the industry. This study report has not touched problems specific to any insurer except LIC of India.

We have to mention that the suggestions provided in this report are generalized ones. There is a great scope to critically analyse huge agency data available with all the insurers at various levels like Region, Area or Unit, over a period of time, to get focussed solutions.

We sincerely believe that with localized data analysis and research with parameters like agency appointments, activations, terminations, productivity and persistency of the agents vis-à-vis age, gender, qualification, experience and income of the agents, the insurers would get enlightened with desired outcomes to take informed decisions in specific areas of their interest.

**INSURANCE REGULATORY AND DEVELOPMENT AUTHORITY OF INDIA  
(APPOINTMENT OF INSURANCE AGENTS) REGULATIONS, 2016 dated 15th April 2016**

These Regulations have come into force with effect from 1<sup>st</sup> April 2016. **(Some points)**

**"Insurance agent"** means an individual appointed by an insurer for the purpose of soliciting or procuring insurance business including business relating to the continuance, renewal, or revival of policies of insurance.

**"Composite insurance agent"** means an individual who is appointed as an insurance agent by two or more insurers subject to the condition that he/she shall not act as insurance agent for more than one life insurer, one general insurer, one health insurer and one each of the mono-line insurers.

**"Mono-Line insurer"** for the purpose of these Regulations means insurer as defined under section 2(9) of insurance Act, 1938 and carrying on one particular specialized line of business such as agriculture insurance, export credit guarantee business

**"Designated Official"** means an officer authorised by the insurer to make Appointment of an individual as an insurance agent. An applicant seeking appointment as an insurance agent of an insurer shall submit an application in Form I-A to the Designated Official of the insurer.

**"Appointment Letter"** means a letter of appointment issued by an insurer to any person to act as an insurance agent.

**"Centralised list of agents"** means a list of agents maintained by the Authority, which contains all details of agents appointed by all insurers.

**"Centralised list of blacklisted agents"** means list of agents maintained by the Authority whose appointment is cancelled/suspended by a designated official of insurer on grounds of violation of code of conduct and / or fraud.

**"Examination Body"** means an Institution, which conducts pre-recruitment tests for insurance agents and which is duly recognised by the Authority.

**4. Appointment of insurance agent by the insurer:**

1) An applicant seeking appointment as an insurance agent of an insurer shall submit an application in Form I-A to the Designated Official of the insurer.

2) The Designated Official of the insurer, on receipt of the application, shall satisfy himself that the applicant:-

- a) has furnished the agency Application in Form I-A complete in all respects;
- b) has submitted the PAN details along with the agency Application Form;
- c) has passed the insurance examination as specified under Regulations 6;
- d) does not suffer from any of the disqualifications mentioned in Regulation 7;
- e) has the requisite knowledge to solicit and procure insurance business; and capable of providing the necessary service to the policy holder

**The insurer shall frame a ‘Board Approved Policy’ covering agency matters as listed in Annexure I and file the same with the Authority before 31st March every year.**

**Annexure – I Guidelines for Board Approved Policy to be Framed by Insurers:-**

(a) insurer shall frame a ‘Board Approved Policy’ on the following agency matters and file the same with the Authority before 31<sup>st</sup> March every year.

(b) The Board approved Policy shall encompass the following –

**(1) Eligibility conditions for appointment of insurance agents** which inter alia shall include

i. Eligible Age for appointment

ii. Eligible Educational qualification, suggested minimum qualification to be prescribed by the insurer is a pass in 10th standard or equivalent examination from a recognised Board / Institution.

iii. Interview procedure if any for appointment.

**(2) Pre-Recruitment Training on insurance to applicants:** Every insurer shall endeavour to impart insurance training to the applicants for agency, so as to equip them with the insurance knowledge to appear for insurance agency examination. It is suggested to prescribe a practical training in accordance with the syllabus prescribed by the Authority in life / General / Health insurance as the case may be for not less than 25 hours. The details thereof shall be mentioned in the Board Approved Policy.

**(3) Skill Development Training:** Every insurer shall endeavour to utilize the ‘Skill Development Training’ conducted by National Skill Development Council (NSDC), Government of India; BFSI SSC financial sector skill council in a phased manner.

**(4) Agency Performance Review Policy:** Every insurer shall specify the following criteria:

a. The Minimum Business Guarantee norms to be achieved by agents during the agency year

b. The criteria for termination of agency for failure to achieve the Minimum Business Guarantee

c. The criteria for re-appointment/re-instatement of agents terminated for failure to achieve the Minimum Business Guarantee

**(5) Agency Remuneration and Benefits:** Every insurer shall specify the following criteria and file the same with the Authority:

a. Criteria for payment of incentive (bonus) commission if any, to agents over and above the standard commission as prescribed in the product,

b. Criteria for considering eligibility for payment of renewal commission (ERC status) if any, to agents after termination of agency.

c. Criteria for payment of hereditary commission if any, to the heirs of the agent in the event of the unfortunate death of the agent.

d. Criteria to offer group life insurance cover, group personal accident cover, group health insurance cover and any other such benefits, if any, to the agents.

e. Schedule of payments of commission and various other benefits to the agents

**The Board of Directors of the insurer shall review the Board Approved Policy every year; and file changes if any, in the Policy by 31st March of that year.**

## CHAPTER 3

### Discussions and Findings – The Profession of Life Insurance Agency

#### 3.1 Eligibility criteria to become a ‘Life Insurance Agent’

The Insurance Regulatory and Development Authority of India (Appointment of Insurance Agents) Regulations, 2016, dated 15<sup>th</sup> April 2016 has stipulated the conditions for appointment of agents by insurance companies in India.

The regulations also mention the requirement of the insurer’s board approved policy stipulating the minimum educational requirement for appointment of an agent. The individual fulfilling the essential criteria needs to pass an examination conducted by the institute approved by the IRDAI.

*“...The tied agents generally have very modest educational and socio-economic backgrounds. Anybody who is a pass in 10<sup>th</sup>/ 12<sup>th</sup> standard and halfway intelligent can become an agent after passing a simple pre-recruitment test. But the real test starts after getting recruited. Customers of urban and semi-urban areas are quite knowledgeable about financial products available in the market and they look for reasonably knowledgeable insurance advisor who can candidly explain why insurance should be preferred to other types of products in meeting some of life’s financial goals.*

*Do the agents have data to prove their point? Do they scan financial market on a regular basis? In this profession, an insurance intermediary has to upgrade his knowledge continuously, as the ‘training centre’ of an insurance company or a ‘sales manager’ cannot always move with him in the market ...”*

*(Majumdar, 2016)*

#### 3.2 Why individuals do not opt for life insurance agency as a Profession

The profession of life insurance agency is immensely rewarding for those with the right attitude and aptitude and who are willing to learn the necessary skills and make efforts to build their business. Only a few industries within and outside the financial services industry can provide a rewarding profession to relatively inexperienced individuals. However, in general, there is lack of awareness about the life insurance agency profession as such.

It is widely observed that a life insurance agent earns a comparatively higher commission and many other benefits that commensurate with his business performance that too with flexible working hours and without requirement of any significant financial capital. But still people do not join life insurance agency as a preferred profession. The industry experts say that people turn to life insurance agency only when they do not find any other option for employment and even if they opt, they join the insurer only to earn some income in the interregnum till they get another job opportunity. People do not prefer to take up life insurance agency as their full-time career that could be because of some apprehensions like

1. It has a long initial struggling period and it does not provide fixed and secure income.
2. A life insurance agent needs to work hard in the field and has to face multiple rejections.

The general feeling of large number of people not to take up life insurance agency even as their part-time job is because, still in society, a life insurance agent is regarded low and insurance agency does not confer good social status. Even those who are in dire need of money do not want to become insurance agents unless they have some specific inclination for the same. Especially in Metros and Tier-I cities, there are various job opportunities available for aspirants that can provide them quick and fair income with fixed working hours and less labour of body and mind.

The profession of 'life insurance agency' is assumed to be one of the toughest and challenging professions and certainly not an occupation to be taken up by someone who has failed in other areas. What is not understood is that this profession provides high benefits to those who exhibit those essential qualities and put in disciplined and consistent efforts to establish in the market.

It is found to be very difficult to find *suitable and sustainable* candidates for life insurance agency. As of now, undergoing the requisite practical training & clearing the simple agency examination is not really an entry barrier to become a life insurance agent. Hence, the agency manager who recruits agents under him, needs to be more careful while screening and selecting individuals on the basis of the desirable qualities for agency profession.

### **3.3 Desirable qualities to be a sustainable life insurance agent/ advisor:**

It would be difficult to identify the qualities required and those individuals who can and who cannot work as a life insurance advisor. In general, without the statement above being affected in any way, a life insurance advisor need to have **a dire necessity to earn money and a**

**willingness to be trained. Also, he should possess a high degree of integrity and perseverance.**

**Perseverance** - the quality to be patient till the sale happens - without hastening or losing emotional balance - **is fundamental to the business of selling life insurance.**

The agent need to have a strong belief that “Life Insurance is an essential product” and need to have an attitude that “Serving is the core purpose of Competence”. He should be eager to upskill himself at regular intervals and should be willing to invest his time and money to gain professional knowledge and skills. He must have a good character so that when he dreams sky high, he will still be firmly grounded to the ethics.

**There appears to be no proven prototype for a successful agent. Successful agents come from all kinds of backgrounds and with varying degrees of education and with assorted business experiences.** However, based on the experience of the industry, it can be said that successful agents generally have certain traits and attributes in common. Some are listed below:

**Table no. 4 Common traits of Successful Agents:**

<b>Ability to put in hard work and Self-motivation</b>	<b>Money motivation</b>	<b>Success Patterns</b>	<b>Social mobility and communication</b>	<b>Trainability and adaptability</b>
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



### **3.4 Appointment of life insurance agents**

The appointment of agents has to be a continuous activity by the life insurers. Generally, the agency supervisors recommend the prospective candidates as agents and provide them all the necessary support to complete the pre-appointment training, to clear the agency examination and to get appointed as agents.

#### **3.4.1 Challenges faced by the life insurers during the appointment of agents**

The following are the usual challenges that the life insurers face while selecting agents:

- Lack of awareness among people at large about life insurance agency as a profession
- Lack of efforts taken by agency supervisors to attract the right candidates
- Difficulty in identifying the potential talent or the right persons for agency
- People not ready to associate themselves as life insurance agents
- The commission structure not appreciated by the prospective candidates since there is no fixed income.
- Reluctance to undergo training and agency examination

To overcome some of these difficulties many insurers have developed a system of getting referrals for agency appointment. They build a centralized data bank with network of influencers who can share names of individuals who are keen to take up the insurance profession. They also train their agency managers to use the referral approach to create a social network and build a pool of potential recruits.

The agency managers meet the candidates and sell the idea of ‘Insurance Agency’ by using ‘Business Opportunity Presentation (BOP)’ that describes about self-identity, benefits of agency and power of renewal commission etc. They call successful life advisors to address the candidates and build upon pride and recognition. They also arrange pre-appointment training for candidates as per the candidates’ convenience.

As there appears to be 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 insurers try to on-board all the candidates that they approach, under the impression that – “nobody knows who will click ...and when”. Also, as there is no perfect and proven prototype for a successful agent, the agency selection appears to be mainly driven by ‘trial & error’ method. **This unmethodical approach towards selection of agents has resulted in very low retention rate of agents.**

### 3.4.2 Go with selection “by” the candidates

Initially, the prospective candidates require to be attracted towards agency profession by telling them stories of successful agents. However, it is very much essential to make them aware of the fact that - the reward and recognition as a successful ‘life insurance advisor’ comes only as a result of hard work and integrity. While talking about the flexible working hours, the insurers need also to talk about the need for regular and disciplined work. While talking about the attractive remuneration, the life insurers need to also discuss about the knowledge that is to be acquired by the advisors. It is also very important to make them prepared for the challenges in the initial phase of this profession which could be a steppingstone towards success.

A career in life insurance sales is the best for those who are outgoing and not afraid of meeting the challenges and they need to be encouraged to rise further.

***“... The whole thing about agency recruitment is that - it is not a selection process, where the recruiter selects. One should design a process where the candidate selects or rejects himself or herself. The process should contain adequate discussions on the pros and cons of the agency career...”***

Since people can be moulded over a period of time the selection process can include a milder form of psychometric tests and a deeper interaction between the agency supervisor and the prospective agent. If an unwilling individual is on-boarded as an agent only to complete any of the mandated parameters, it would not have the desired business achievements. Though the agency supervisor may not fully involve to decide upon perfect suitability of a candidate, he could definitely search for those basic qualities that would make the individual successful. This acumen could definitely be developed from the experience gained over a period of repeated search and selection.

***“... Like leadership qualities... which can be acquired - if not inherited by birth, competence to sell life insurance can also be acquired ...”***

The agent can be tapped from any background like housewives, retired persons, professionally qualified people, persons with reach to HNIs, full-time job seekers, part-time workers etc. The quality of selection can be improved for better chances of retention when the focus is on well-

defined set of agency profiles at the time of selection. An insurer/ agency supervisor is required to segment the market and decide upon the desirable attributes of agents like age, qualification or occupation for recruiting/ planting agents in each segment. For example, an insurer may prefer an experienced agent who has passed through various phases of life and can understand and convince his clients meaningfully about the need of protection to their loved ones (Rasika, 2014).

**The cornerstone of the selection process is to build the profile of an agent one seeks to attract.** The use of standardised “Recruitment Scorecard” which is based on the points allotted to desirable attributes of agents can also be of help to select the right candidates.

<b>Max Life Insurance: Pointer System for Agency Recruitment</b>			
<b>Criteria</b>	<b>3 Points</b>	<b>2 Points</b>	<b>1 Point</b>
<b>Age</b>	30 years and above	29 to 24 years	Less than 24 years
<b>Qualification</b>	Post Graduate, Graduate	12 <sup>th</sup> pass	10 <sup>th</sup> pass
<b>Occupation</b>	Retired, Housewife	Salaried person	Student
<b>Family income</b>	More than Rs. 5 Lakh	Rs. 2.5 to 5 lakh	Less than Rs. 2.5 Lakh

**The candidate is required to earn desirable points for appointment as an advisor**

In the competitive market, some life insurers strategically develop their product range for specific social strata and deploy individual advisors having the educational qualification and social status compatible with the targeted ticket size of insurance.

At the end it is to be acknowledged that as of now, life insurance agency is not a “pull profession” that people would flock to join. It needs plenty of marketing efforts by the agency supervisor to appoint an agent. **So, to a certain extent, the ‘trial and error’ style of selection and appointment of agents is to continue to be a part of this industry. The quality of the ‘trial’ is to be improved.**

### **3.5 Types of Markets for an individual agent**

The awareness for the need of life insurance cover is not encouraging in India and hence, the role of intermediaries acquires significant importance to push life insurance products among all sections of the society. Amongst all the distribution channels, the proprietary channel - “Individual Agency” has the highest reach. The individual insurance agents have their existence in almost all the territories, geographies, economic sections and social strata of India.

The insurance market of the individual agents can be broadly divided into two types.

**1. Primary (Natural) Market** – It consists of the family members, relatives and friends of the insurance advisor. The sale of insurance policies is comparatively easier in this market where the relationship matters over the knowledge, the standing and the quality of the agent. But one has to work in this market with caution else the relations could get soured in some cases.

**2. Secondary (Open) Market** – In order to survive, every agent is required to move extensively in the open market. This would consist of meeting unknown people including referrals. A big challenge **an individual agent faces in this market is huge competition from other intermediaries, other insurance companies and other financial products. It is in this real work pitch in which an agent needs to develop his roots and grow.**

Every advisor needs to essentially perform the following basic activities to procure business -

1. To get the data of prospective customers and contact them.
2. To make efforts to canvass insurance policies to interested clients and close the sale.

The methods to approach the clients and to conduct the sales activities are different for the natural market and the open market. In the natural market the prospects are in a closed circle of the advisor. Many times, among close relations, life insurance policies are purchased from the advisor as a gesture to help him complete his business target or for the sake of maintaining good relations even **without understanding their financial needs and the actual benefits under the products sold to them.**

Usually in the open market, an agent requires to undertake prospecting and patient cold calling to get leads. Many times, an agent is required to start with creating an awareness about the need for life insurance to an unknown client. Once an interested customer gets ready for a meeting, the agent has to explain suitable insurance products after probing into the client's 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.**

### 3.5.1 Ways of working in the open market

In the life insurance market in India, LIC of India has its presence almost all over the country. But the private life insurers operate largely in the metros and the bigger cities while they have negligible operations in rural areas. High ticket size policies, mechanization of the systems & processes and working with lesser human capital are the work system of the private insurers.

Whichever the company they work for, the life insurance advisors can establish themselves in the profession only if they succeed in getting business from the open market. However, finding prospective customers from urban and rural life insurance markets appears to be very difficult as well as time-consuming and converting the prospects to purchase a life insurance policy seems even harder. While working in the various segments of the open market that are full of competition, the life insurance advisors need to use various ways to reach to their target customers and leverage their strengths to solicit business from them.

***“... LIC’s agents sell policies primarily on the basis of long-standing relationship. It is difficult for alternate channels like banks, brokers and IMFs to become family friends of the policyholders. The tied agents are immensely successful when they are able to maintain a congenial relationship with their clientele ...”***

*(Majumdar, 2016)*

The modality of sale of life insurance policies would differ from customer to customer. Sometimes, the sale takes place on the basis of the faith of the customer on the recommendations of an advisor of long standing, sometimes it is the brand value of the insurer and sometimes it is the hard work of the agent that completes the sale.

- The charismatic agents or the agents occupying influential positions can get insurance business by virtue of their personality or the power they enjoy in their social circle.
- The agents who are associated with financial entities like mutual funds or banks - can have easy access to large data bases of eligible prospects that can be utilized for cross-selling.
- The agents who have strong connections with consultants like cost accountants, doctors or lawyers can get many leads from these individuals.
- The socially active or helpful individual agents can reach to the prospects through their club memberships or well-knit networks.
- As the agent works in the market year after year, he starts getting referrals from his satisfied customers. It is comparatively easier to sell policies to a prospect approached as a referral.

Whatever may be the way of getting leads and approaching customers for insurance, it appears to be always tough to impress and convince the unknown customers about life insurance and to make them pay from their pockets towards the insurance premium.

The clients who are educated and aware of insurance could, before meeting an agent, undertake some personal research on life insurance products, the premium comparison and they may expect recommendation of the right product by the agent based on his knowledge of financial markets and life insurance. The advisors who deal with such type of customers need to work hard and prepare exhaustive presentations of product benefits and returns and, above all, they need to assure their full servicing support to the 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)*

Thus, **to establish and expand** his network in the competitive open market, an agent needs to display his competence, his superiority and explain about advantage of his products over the other options and he cannot rely merely on the relations. In the insurance market, the reputation of individual insurance advisors is found to be much more than the other intermediaries.

**In a nutshell, a life insurance agent can earn his decent livelihood only if he expands his business in the open market continuously. This can be achieved with continuous enhancement of his skills by way of regular training and ensuring necessary support from his supervisor.**

**A systematic training that imparts knowledge, inculcates the desired attributes and develops the competencies to survive and thrive in the competitive market is highly essential for every life insurance agent. The training is, of course, very much required for the agency supervisors also who bear the responsibility to train their agents.**

### 3.6 Training of individual Life Insurance agents

**To identify individuals who could be suitable for life insurance marketing is very crucial for the life insurance industry. It is even more important for the insurers to continuously skill them and equip them to fit into their roles.** The Indian life insurance market is very competitive and it is flooded with products of 24 life insurers. Life insurance policies are complex financial products that are always compared with other financial products for their benefits and returns. The customers, especially from urban and semi-urban areas, expect their life insurance advisor to be knowledgeable and eligible to recommend the products which best suit their needs.

As a pre-requisite for any financial consultant, it is very necessary for the agents and the agency supervisors to undergo comprehensive and structured skilling and reskilling programs. The insurers should arrange such programs for their agency vertical with quality trainers and with appropriate physical infrastructure. These programs are required to make the insurance marketers aware of the financial markets, insurance products, prospecting techniques, communications skills and the like. Such skilling programs would be effective only when they are provided meticulously and accepted willingly.

Life insurance agents represent the insurer. They can create or damage the image of the company in the market. In-house training and grooming of these agents help to groom them into the culture of the company and build loyalty to the company. It is understood during this study that not all insurers acknowledged the importance of continuous skilling of their agents.

*“... Training is the most neglected aspect, in reality. Insurance products as well as the business scenario is getting more and more complex day by day, but it is observed that the importance given to training by the insurers is getting diluted day by day...”*

### 3.6.1 Pre-appointment Training for life insurance agents

**Pre-Recruitment Training on insurance to applicants:** Every insurer shall endeavour to impart insurance training to the applicants for agency, so as to equip them with the insurance knowledge to appear for insurance agency examination. It is suggested to prescribe a practical training in accordance with the syllabus prescribed by the Authority in Life / General / Health insurance as the case may be for not less than 25 hours. The details thereof shall be mentioned in the Board Approved Policy.

(The IRDAI Appointment of Agents Regulations, 2016)

The insurers conduct pre-appointment training for their prospective agents on the basis of the syllabus approved by the IRDAI. Though the focus of the pre-appointment training is generally to pass the initial pre-appointment examination, it can include subjects on agency as a prosperous career besides orienting the individual to the insurer's profile. Some insurers also arrange on-field experience for prospective agents with agency managers.

*“... The pre-recruitment training should not only train the individual advisors about technicalities of insurance and insurance industry, but the insurers should take efforts to teach the advisors about their duties and responsibilities of selling a noble product like life insurance and they should also be trained to visit their market with pride...”*

### 3.6.2 Post-appointment skilling of agents

The skilling and re-skilling of the agents has got to be a continuous activity. To provide knowledge and confidence for working in the market the agents need to be actively engaged in trainings, seminars and workshops for their continuous development.

Some Indian life insurers arrange offline, online as well as telephonic training for their advisors. Another insurer provides online self-learning platform for agents where the agents can learn on their own at their convenience.



### 3.6.2.1 Induction

Once on-boarded, the new joiners are to be equipped to enter the market. The insurers need to arrange an ‘induction’ for these newcomers that could cover the following aspects:

- Financial Markets and financial needs
- Prospecting and methods of approaching (entering secondary markets)
- Product training and developing sales pitch for various products.
- Sales Process and importance of proper documentation, record keeping.
- Objection handling and sales closing skills.
- Mind management
- Filling of the proposal form and other documents
- Basic underwriting rules, KYC
- Primary servicing and procedure of payment of claims
- Target and goal setting for higher benefit schemes
- Setting up of an office and office management

### 3.6.2.2 Regular training for Agents

The agents are required to be trained on the different products, financial markets, identifying life cycle needs of customers, need based selling of insurance products and financial planning. Regular training sessions are required to be arranged for the agents covering the following aspects:

**Table no. 5**

<b>Refresher Training</b>	<b>Specialised Training Sessions</b>
Persistency of policies	MWP Act and Life Insurance
Referral skills	Business Insurance
Online Selling	Corporate Selling
Importance of CRM	Up-selling and cross-selling
Advanced Financial Markets	Selling to HNI Customers
Tax planning and Insurance	Personal Brand Building

The insurance business operates in a dynamic environment. Along with the product knowledge, the agents are required to keep themselves abreast of changes in law and practice through personal study and regular participation in in-house training provided by their insurers.

**‘Max Life Insurance’ has a robust training infrastructure for their agents. Every branch office of the company has separate trainers devoted for agents’ training.**

<b>Systematic Training Programme for individual advisors of Max Life Insurance</b>		
<b>FCS</b>	Fundamental Career School	7 Full days (For new joiners)
<b>SSW</b>	Selling Skills Workshop	2 Full days (next month after clearing FCS)
<b>BCS</b>	Basic Career School	4 hours, once in a week (Month 1 to Month 6)
<b>ICS</b>	Intermediate Career School	4 hours, once in a week (Month 7 to Month 12)
<b>ACS</b>	Advanced Career School	4 hours, once in a week (Month 13 and above)

*“... Training is a continuous process in Max Life. Training is compulsory. Agents cannot move in the market without training. The persons who do not have time for training can join other companies... ‘Max’ makes it very clear. ‘Max’ is there for those who want to learn and excel ...”*

### 3.7 Full-time agents and Part-time agents

#### **Full-time agents:**

The life insurance industry is very demanding and it requires its marketers to invest time to earn subject knowledge. The truly driven and passionate agents see life insurance agency as a full time and long-term career opportunity.

Generally, full-time agents take the profession seriously as their livelihood depends on it. They are ready to put in the extra efforts to attend the training sessions regularly to upskill themselves. They are willing to earn the capability to provide support to their clients. They are usually less dependent on their agency managers to solicit new business and also to provide support to the policyholders.

#### **Part-time agents:**

One of the reasons that the individuals do not opt for a full-time agency as a career seems to be on account of the uncertainty of regular income and heavy competition to solicit new business. A large proportion of the agency force consists of part-time agents who at times are not

passionate about the agency profession. Many a times, though they are willing to attend the training sessions and meetings, they do not find time for the same and are thus not able to skill themselves and develop confidence to move in the market.

Therefore, they view the agency for short-term gains and do not get fully engaged with their customers. They are able to generate leads and many a times are dependent on their agency managers for closure of the sale and other servicing support.

### **3.8 Composite Insurance Agency**

When an insurance agent meets a client for a particular insurance need, he may realise that the client also requires products from another line of insurance. If the agent would like to focus only on his line of insurance, he can pass on such leads to other suitable intermediaries. However, an agent can utilise the opportunity of selling insurance products from all the lines to improve his credibility and income.

As per the current regulations an individual agent can become a ‘Composite Insurance Agent’ and can work for **one life insurer, one general insurer, one stand-alone health insurer and one each of the mono-line insurers at the same time**. The composite insurance agent needs to devote his time and also acquire necessary knowledge and skills required for more than one line of insurance business. However, the concept of composite agency need not hamper loyalty of the agent with any insurance company or any line of business.

In the insurance industry, people have varied views as regards the composite insurance agency. Some industry experts say that it provides very good opportunity for cross-selling and it must be encouraged, while a few others opine that it causes loss of focus instead of cross selling.

The insurance market has two types of products – the ‘Push’ product and the ‘Pull’ product. The life insurance products are generally ‘Push’ products. The general insurance products like vehicle insurance and health insurance are ‘Pull’ products for which there is demand from customers. A composite insurance agency can provide more selling opportunities to an agent by providing comprehensive solutions to a greater number of clients. For example, through the ‘Pull’ products an agent can establish good connect with the customers and over a period of time, he can ‘push’ the appropriate life products to them.

A composite insurance agency can be beneficial to both the parties. It is like a ‘one stop shop’ for customers to get all insurance products ‘under one roof’. The agents can help improve their persistency as they get different types of business either ‘life’ or ‘non-life’ to ensure a regular income. A composite insurance agent, in today’s competitive environment, reduces his operating cost by delivering services of both life and non-life products to customers from the same office or during a single visit.

However, though cross-selling sounds good as a marketing strategy, it should be employed with caution as it can be a source of wrong selling. For example, an agent may seek an appointment to explain a health insurance policy and later end up selling other types of policies. Cross-selling could be a good strategy only (and only if) the agent’s managerial hierarchy can ensure a systematic and proper ‘Needs Analysis’ of customers with accountability.

There is also the other side of the story. Among many insurance lines, a composite agent may focus on the one which is more profitable to him. He would aggressively sell the products that have higher conversion rates or better commission inflows. This would sometimes cause shift or loss of focus from a particular line of insurance. It is bound to happen unless all the lines of business have similar conversion rates and commission structure.

For example, the ‘Prospect to Client’ conversion rate of health insurance products of ‘Stand Alone Health Insurance (SAHI)’ companies is more than the similar products offered by life insurance companies or the life insurance products. There are examples in the industry that some of the best life insurance agents have stopped working for their life insurers and they are using their data base for selling only health insurance products. **Thus, the composite insurance agency has created a new challenge for the insurance companies that if not taken care of properly can cause attrition or reduced productivity of their agents.**

All said and done, the cross-selling culture is something that has to be accepted by all. The insurance companies are required to carefully tackle the challenge and make it work for their advantage leveraging smartness of the agents who use the best of all opportunities.

### **3.9 Agency Supervisors**

In a multi-layered sales organisation, the agency supervisors identify the individuals for agency and attract a greater number of suitable prospects for agency profession. The insurers need to focus on appointing the right kind of persons as their agency supervisors to expand and strengthen their front of the agency supervisors.

#### **3.9.1 Recruitment of Agency Supervisor/ Manager**

The agency supervisors need to work in a market full of uncertainties and they have to ensure that their agents perform well although they may not have complete authority over them. The insurers need to carefully select the agency supervisors/ managers by confirming their attitude, marketing aptitude, integrity, people skills and willingness to work hard.

In LIC of India, ‘the Development Officer’ is the agency supervisor. For private insurers, the agency supervisors are mostly selected by the authority at the unit office level on regular basis as per the requirement of the unit. Their selection criteria could include -

- ✓ Prior insurance sales experience
- ✓ Profiles with strong local area/community linkages which enables them to recruit agents.
- ✓ Minimum 3 to 5 years’ experience in sales of FMCG / Pharma / Telecom or Direct sales

#### **3.9.2 Training to Agency Supervisors/ Agency Development Managers**

The agency supervisors are required to sponsor suitable candidates and to provide support and training to enable them to be appointed as life insurance agents. The supervisors are also required to guide, coach and handhold their appointed agents to solicit life insurance business from as many persons as possible. They are also required to support their agents to give prompt after-sales services to the policyholders.

*“... The management needs to have patience and willingness to nurture and develop ‘the Agency Manager’ in his initial years. ‘Hire and Fire policy’ is one of the major reasons for poor retention of Agency Managers as well as their agents...”*

Only the fully equipped agency supervisors can systematically segment the markets, plant suitable agents and train & mentor them to realize their full potential. Hence, it is very essential to train the agency supervisors on a continuous basis to enhance their skills and capabilities. Though well-articulated training courses for agency supervisors are in place with most of the life insurers, the real problem lies in putting in place “Learning” (and training) as a system.

*“... First and foremost, the ‘Agency Manager Incentive Schemes’ should change. Career Agency Managers should be encouraged and not to encourage agency managers waiting to become branch managers. Since all private companies encourage their agency managers to bring in business to get promotions, the environment for agency managers with a capacity to nurture, train and develop agents is also not encouraged. Companies are, therefore, not concerned about training agency managers ...since anyway, the agency manager is either promoted or shunted out...”*

As of now the life insurance industry needs a shift from ‘generic training’ to ‘Life Cycle based training’ for agency supervisors. This is essential, ultimately to build and develop a high-quality sales force.

**The ‘Life Cycle based training’ for agency supervisors includes –**

- **Induction Training** - covering domain knowledge, recruitment basics, sales process management, financial planning and people skills like leadership development.
- **Reinforcing Basics Training** (after 9 to 12 months of induction) - encompassing the topics covered in induction phase along with other topics such as Team management, Performance review and planning, Career development of agents and Key business levers.
- **Systematic Training** (at frequent and regular intervals) - both in-house and outsourced, related to their role along with supervising skills, it can include various topics such as –
  - ✓ Making joint calls more effective
  - ✓ Increasing the effectiveness of Unit Meetings
  - ✓ Providing differential support to the agents understanding the “Hierarchy of Needs”
  - ✓ Designing strategies for agents based on their strengths, weaknesses and ambitions.
  - ✓ Up scaling the agents to penetrate niche markets
  - ✓ Personal brand building to attract and retain talented agents

- **Special requirements-based training** - covering new product launches and changes in products & processes of the company.
- **Specialised training** - covering special topics such as Key Man Insurance, Married Women's Property (MWP) Act and other taxation aspects.

The training programs are also to be formulated to cover the performance gaps of agency supervisors after analysing their business data. Such targeted training programs can be of immense help to agency supervisors. New agency supervisors are also to be given “on the field training” by their unit and regional supervisors.

*“... Life insurers should pull up their socks. They have to take a conscious and actionable decision to maintain the integrity of selling methods... and commit to training their sales force on a weekly and regular basis. None of the life insurers are currently conforming to these standards...”*

### **3.9.3 Attrition of Agency Supervisors**

An emotional bond usually develops between a good agency supervisor and the team of his agents. Many times, a strong chemistry is observed between a supervisor and his top performing agents. The agents acknowledge and respect their supervisors for their support and their skill in closing big sales. If an agency supervisor switches the company generally his agents also follow him.

The agency supervisors are under pressures to complete targets of URN generation, agency appointments and business procurement. They are also lured by the competitors. The life insurance industry is also very much concerned about attrition of agency supervisors. **To arrest the attrition, the life insurance companies need to take some of the following measures:**

1. Structured on-boarding of new agency supervisors.
2. Structured and elaborate induction program to develop capability and confidence of the agency supervisors.
3. Constant motivation of the agency supervisors through various contests and reward-based targets. It is observed that local and foreign trips are the big motivators for them.
4. A system of continuous feedback on business performance and personal growth.

5. Very well-defined objective and remunerative career path for agency managers providing them vintage-wise smart and flexible growth criteria.
6. Engagement forums in the company with participation of all levels of management for building inclusiveness.
7. Quick feedback and communication with the top management to create a very flat hierarchy and develop smooth relations with the authority.
8. Structured course-correction programs for the agency managers who could face a slump or difficulty in scaling up their business.
9. Focused enabling programs for bottom performers
10. Special programs for top performing agency managers

### **3.10 Activities to attract greater numbers to agency profession**

The key to success in the current competitive environment to stay profitable is to provide an everlasting customer experience. People prefer distribution channels according to their economic and psychographic profiles. Most of the technology driven initiatives just attempt to supplement the core marketing function and whatever the outcome, physical intermediation cannot be displaced.

The individual agency channel is of utmost importance for life insurance companies as it is the only proprietary channel which contributes to the bottom line of the company. 'Agency' is also considered as a key strategic channel - given its scalability and capability to reach deep into the geographies and capture the underpenetrated Indian markets. Also, agency plays an important role in the valuation of the company.



On the backdrop of the inhibitions of the capable individuals to join the profession of life insurance agency, the insurers and the other stakeholders are required to complement the activities of the agency recruiters in the field by taking conscious efforts to improve social status of the individual agents and to enhance awareness about the agency profession in the society. Many life insurers term their retail agents as ‘advisors’ while many enforce their agents to wear the company blazers while on call.

**The following are some measures that are being taken and can be followed by the life insurers to attract a greater number of suitable candidates to agency profession:**

*“... It was identified that a pre-printed kit to showcase the benefits of an insurance agent plays a huge role in recruitment. In order to raise awareness and increase the prestige of working as an insurance agent at SBI life, we proposed an integrated campaign to promote, leverage and recruit insurance agents through the various benefits offered. This digital campaign called “Goodness ki Muskaan” is a pull machine which invites interested leads to enrol themselves as insurance agents with SBI life ...”*

- Brand “Life Insurance Agency” as a good and noble profession, not just in terms of attractive remuneration and rewards; but also, to earn self-pride and industry recognition.
- Highlight the qualities required to become a good advisor and showcase & project the successful agents as the ‘brand ambassadors’ in media to attract good profiles.
- Provide wide publicity to training and support being provided to the advisors and various benefits and growth opportunities available for them in the company.
- Share success stories of agents from a similar profile and background as that of the target group of prospective agency candidates.
- Segment agency market and employ appropriate publicity and advertising media (including social media) to attract desired agency profiles.
- Arrange aggressive publicity and direct mail campaigns targeted at agency recruitment.
- Ensure presence of organisation in job fairs/ job boards and employment agencies.
- Focus on prospective talent pools showing higher stickiness for agency (e.g. retired PSU/ bank officials, retired defence personnel, travel agents, estate brokers, tax consultants etc.)
- **To sharpen focus on agency recruitment, the insurers can arrange for an exclusive recruitment team that works closely with the front-line agency managers to help them recruit new agents.**
- **Strengthen the team of Agency Supervisors**

### **3.11 Strategy to enhance the productivity of agents**

The life insurers always face the dilemma of ‘quantity’ versus ‘quality’ of agents. Though “go-for-size” strategy creates a vicious cycle with a ‘low-quality’ sales force and a weak sales management, building scale through massive appointments would be the best strategy for a virgin market like India. However, for long term profitability, it is not enough to increase the numbers of the agency force, but the insurers need to take conscious efforts to improve productivity of their agents on various parameters such as premium, number of policies etc. The productivity of agents on the basis of commission earned has a direct relation to their retention levels.

**Enhancing productivity of life insurance agents requires a robust training system and a regular mentoring system in place.** It necessitates developing the agents’ abilities on need analysis, product presentations and objection handling. For improving the productivity and consequent retention of agency force, the insurance company needs to ensure –

- a) Go with selection ‘by’ the candidates and ensure Pre recruitment evaluation and validation standards for agents;
- b) On-boarding of agents in a systematic and scientific manner.
- c) Proper handholding of new agents by agency managers.
- d) Monitoring and periodical review of new agents with due seriousness.
- e) Training of agents to analyse customer needs and to provide holistic insurance solutions
- f) Skilling of agents to generate quality leads
- g) Segmentation of agents and fulfilment of their differential products and training needs
- h) Suitable product mix is suggested to agents to meet their needs of decent remuneration
- i) Agents are made aware of digital disruption and are enabled digitally and analytically
- j) Better organisation of agency operating model (e.g. better utilisation of morning meetings, role play sessions, product training, quality lead generation etc.)
- k) Organisational sales support e.g. regular training, sales tools, providing warm and quality leads, performance reviews, appropriate physical/ digital nudge system etc.
- l) Robust servicing support preferably automated with enhanced digital tools
- m) Performance based incentives and well-designed career path with enhanced prestige and monetary rewards are available for the agents and they are motivated to move on.

The productivity of an advisor increases with time. The association of a life insurance advisor with his company makes him an expert in insurance sales and understanding of financial markets. He becomes better equipped with the information and tools to ascertain needs of the customers and provide them superior services and advice. His continuation as a life insurance advisor over a longer period helps him to build his customer book and hence the references, resulting in higher productivity over a period of time.

***“...The system to enhance productivity of agents is to be induced at the corporate level. The priority given to ‘develop New Business’ at top management level requires a paradigm shift to the one of ‘developing the Agency - to develop new business...”***

***“... Current management practices and incentive schemes do not encourage agency supervisors to take up activities to improve productivity of agents. Presently, companies have working methods that incentivise number of agents recruited. Rarely do we see the agency manager, or the branch manager incentivised for ensuring that the agent remains in business for at least 5 years. As a consequence, even though “Agent Productivity” is more important than “Agency Numbers”, productivity takes a back seat...”***

It is reported that the companies in which the highly productive agents have been given the opportunity to handle agency teams under them face the ‘channel conflict’ and their agency supervisors take cautious view while building their agents.

At the grass root level, while reviewing the profitability index of a branch unit, “Agents’ Health Index” is also to be reviewed to help study the performance of agents at different levels of productivity. The less productive agency groups are to be supported.

The ‘Willpower’ at the top level and ‘Systematic Implementation’ at the grass root level are required to enhance productivity of agents along with agency numbers.

***“... By imbibing a sense of prestige, loyalty and motivation, we charge to focus on retaining our agents. SBI life values its insurance agents and has taken active measures to reduce attrition among the agents. From shortening the feedback loop of agents, to internal lucrative offers, to special facilities and rewards, we actively take efforts to retain agents and push them towards improved productivity...”***

### **3.12 Retention of agents**

To continue as an agent of a life insurance company, every agent would be required to complete the stipulated assured new business or earn the stipulated commission specified by the company. If an agent fails on these counts, he would be terminated. The terminated agent would also lose the renewal commission on the premiums paid subsequent to the termination of his agency, depending on the eligibility conditions laid down by the company. If the rate of renewal commission would be much lower than the rate of new business commission for a company, an agent may not mind forfeiting his renewal commission and switch for some lucrative opportunity.

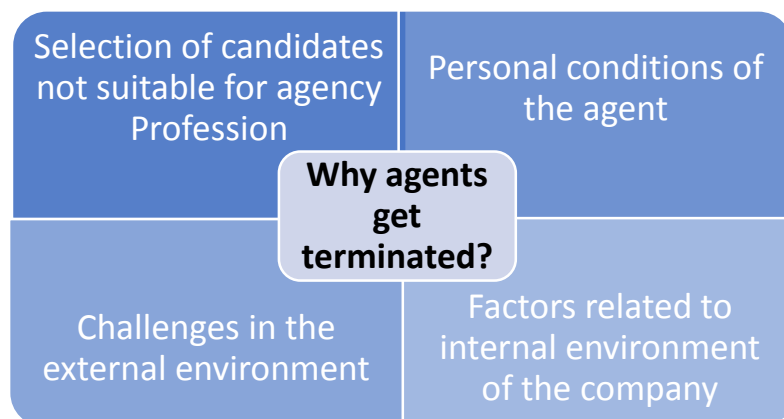
A life insurance company could strategically plant its agents with a short-term purpose e.g., in a digitally well-educated customer segment of high social strata. If business systems of the company are fully automated, once on-boarded, the policyholders may not need any human intervention/ help for premium payment or any other services under their policies. Under these circumstances, attrition of such agents may not be a point of concern for the company as long as it has recovered their agency cost while pushing large number of policies from these target pockets. Even the company can organise a special team to take care of the ‘orphaned’ policies.

In all other cases, the life insurance companies need to preserve their existing agents as they would have incurred heavy cost and would have spent time and energy in recruiting and training the agents. However, as reported by the life insurance officials the agency retention rate after one year of appointment is only 70% and it diminishes sharply year after year to attain the level of less than 15% in the fourth year.

***“ ... Agency building is a multi-year and multi layered business and Organisation Change program. The strategies drawn in boardroom with high sounding words need to be put in place and implemented at grass root level. Continuous structured monitoring and questioning from Top management is mandatory to ensure the same...”***

### 3.12.1 Challenges in retaining existing agents

The challenges in retaining life insurance agents can be categorised into 4 types as follows:



#### A. Selection of candidates not suitable for agency profession

- Wrong attitude of the agents with no strong desire to earn from the agency.
- Mismatch of personality traits of the agent with the requirements of the agency profession
- Lack of professionalism in the agent
- Inability of the agent to digest the fact that high earnings are possible only with hard work and continuous updating of skills and knowledge.
- Complaints of wrong selling against the agent

#### B. Personal conditions of an agent

- Not ready to wait for 1-2 years to earn fair income to mitigate increasing family liabilities.
- Access to another better remunerative job opportunity in the early years.
- Change in physical location of the agent e.g., transfer of services.
- Increase in personal/ family liabilities of the agent that demand more of his time.
- Discouragement by his family members to continue working as an agent.
- Health issues

#### C. Factors related to internal environment of the company

- No sufficient pre-sales and post-sales training by the company, hence the agents lack knowledge and skills to handle objections/ rejections and support the customers
- The channel managers/ supervisors not paying sufficient attention to the new agents.

- The agency supervisors not handholding their agents during the initial period.
- Very high business targets for agents and undue pressure for their completion which may lead to wrong selling - resulting in the subsequent premiums not being paid and also psychological pressure on agents.
- Non-satisfactory arrangement of benefit and reward schemes for the agents.
- Seemingly lack of growth opportunities for the agents in the company
- Lack of recognition for the hard work of the agents by their superiors/ the company
- The office executives not providing adequate encouragement and support to the agents.
- The agents do not get along with their agency supervisors.

#### **D. Challenges in the external environment**

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

In 2016, Neha Chhabra Roy and Samik Shome conducted a Study on ‘Attrition of agents in Indian Life Insurance Companies’. The following is the summary of their research article in “Current Science” - September 2018.

*“... 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. When the intermediary switches loyalty from one company to another, it has an adverse impact on the brand loyalty which any insurance company does not want to mislay. The phenomenon of agent attrition within the insurance sector is not only observed in emerging economies but it is also a matter of concern for developed nations.*

***Push phenomenon:***

*Evidence from India shows that the high attrition of individual agents is largely due to poor commission structure and huge sales pressure. The enormous targets set by insurance companies to their agents often prompt them to mislead their customers and cheat them by rampant mis-selling. This leads to tremendous sales pressure and psychological pressure.*

*Also, the agents recommend a product that provides them high commission. Due to information asymmetry among insurers, insurance agents, and the customers in the Indian insurance market, this type of moral hazard is inevitable and unavoidable; it eventually leads to a regular shift of agents from one company to another.*

*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.*

***Pull phenomenon:***

*The shift towards a globally interconnected insurance market has created ample opportunities through the inclusion of new companies in the Indian market for the agents to move/ shift to companies with more compensation and benefits.*

*Again, many insurance companies nowadays are continuously focusing their efforts towards strengthening the relationship with their existing agents by optimizing training, compensation, and retention, which acts as a motivation to improve their productivity levels*

consistently in order to sustain the business. These types of employee-friendly strategies not only create a healthy competition among agents, but also attract agents from other companies. Similarly, competitive pressure in the industry results in heavy inter-firm 'poaching' of individual agents.

**Identification of factors of agent attrition in life insurance sector:**

In this article, a total of 14 major variables that act as the driving force for agent attrition are analysed under **push** and **pull** phenomena. In the following table, the first 10 parameters are the push phenomena and remaining 5 are the pull ones. It is evident from the relative importance arrived at after analysis that the pull factors play a significant role in agent attrition over the push factors. The most important attrition factors have been identified as lucrative benefits (like performance bonuses, Christmas bonuses, study allowances and foreign trips), getting easy NOC and growth opportunities in other business.

Assessment parameters	Relative importance (%)
Very low and unappealing commission structure	5.22
High and unachievable targets (MBG)	4.17
Tremendous work pressure	5.66
Psychological pressure	5.77
Misselling of products	4.99
Lack of growth within the organization	5.30
Poor relation with the reporting authority	3.28
Conflict among agents over customers	4.99
Less flexibility in achievement of sales target	5.76
Peer pressure within the organization	5.36
Flexibility of getting NOC	11.20
Increase in opportunity due to globalization	13.24
Growth opportunities in other companies	10.87
Poaching through lucrative benefits	14.19

**To address these issues, five key areas are conceptualized as follows:**

- 1) Since commission structure is almost uniform in all companies, **provide internal lucrative offers to agents.**
- 2) Develop **new modules of change management** holding meaningful career discussions, creating agent toolkits, and motivating agents to bring people through references. Encourage them to get higher levels of qualification and certification in the insurance.
- 3) **Shorten the feedback loop for agents** to give them quick feedback on performance.
- 4) **Provide performance-based monetary incentives** to agents.
- 5) **Ensure that the agency managers are qualified and unbiased.**



### 3.12.2 How to improve the Agency Retention Rate

The huge exit of individual agents is a big concern for the life insurance industry as the early exits of the agents is a major cause of financial loss to the insurers. To reap the real benefits of the channel it is very important for the insurers to retain their individual agents for longer periods as their productivity improves over time.

*“... While agency attrition cannot be done away with altogether, the current levels of attrition are very high. Agency retention rate is a function of the*

- *Integrity of the managers*
- *Effectiveness of the training and,*
- *Sales control system*

*Where companies are deficient on any or all these counts, the agency attrition will be very high. In the current scenario, most companies are woefully deficient on all the parameters mentioned above...”*

To improve the retention of agents first, all the stakeholders need to work hard to increase awareness in the society about the need for Life Insurance. **The insurers need to undertake some remedial 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’**
- **Ensure ‘quality’ selection ‘by’ the candidates (instead of heavy targets)**
- Ensure mandatory induction, product training and training on selling skills of agents. Also ensure regular need-based training.
- Integrate **standardised** activity-based training and coaching-- both into sales process as well as recruitment process of agents.
- Build – physically and digitally - high engagement levels of the agents right from the day they join.
- Work immediately on the agents after they join. Ensure that they receive their first commission within the first two months of their appointment. In the initial phase, help them to earn fair commission income with suitable product combos.
- Essentially **train the agents to work in the secondary market as quickly as possible.**

- Set stepwise goals for the agents and help them to achieve.
- Constantly track monthly activation levels of agents. If inactive, take special efforts.
- Build the competence of agents through webinars, trainings, unit meetings and joint calls so that they gain confidence to face the prospects without hesitation and also improve their “sales-to-approach” ratio. Educational expenditure to be a priority in the budget as this would be an investment on the long run.
- **Inculcate the best habits in the agents right from the beginning e. g. networking, regular cold calling, punctuality, record keeping and prompt servicing to policyholders.**
- Emphasize on importance of retention of customers and support agent activities for retention of their customers e.g., prompt service support, digital reminders for premium payment, additional services etc.
- Segment the agents and the products to take care of their needs accordingly.
- Identify the agents who are dealing with customers comfortable with digital initiatives and provide them focussed training to match with the customers’ expectations.
- Though digital disruption is inevitable, the importance of one-to-one communication in insurance sales is largely valued. Empower all the agents to understand the changed climate and leverage on advancement of technology to acquire digital visibility and reach and meet the fast-changing requirements of consumers with digital enablers.
- Work on the capability development of the agents through career proposition
- Keep the agents motivated with special bonuses and facilities.
- Run various monthly contests and programs to keep the agents active and engaged.
- Conduct monthly meetings of agents and felicitate the performers.
- Arrange recognition programs to encourage long term association of agents.
- Create non-business linked engagement forums for the agents at branch office level.
- Arrange for a constant feedback system with various digital tools to help the agents quickly get their business performance reviews.
- Organise lead generation campaigns to increase better quality leads for the agents.
- Systematically collect and share the best practices from the best agents.
- Seriously control the unethical practices
- Support and empower the development officers/agency managers for their retention efforts. Ensure frequent dialogue with select groups of development officers/ agency managers to understand the 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 existing clients for cross selling/ up selling by applying Artificial Intelligence platforms. This approach would not only help the agents to enhance their productivity thereby improving the retention rate but would also help the life insurers to establish a better connect with their agents.
- Automate the services provided to both the agents and the policyholders with less/no human intervention. Decentralise the services to select agent's desk with sufficient controls. This would reduce the delays and also the consequent frictions that arise in the interactions with the operating staff.

*“... Companies need an eco-system that encourages proper development of the life insurance industry. Most of the managers in the sales and marketing hierarchy are uncomfortable dealing with agents. Hence companies are looking to other distribution channels. This is against the very grain of life insurance. For example, in bancassurance, after the initial euphoria of hoping for automatic business from banks, companies have realised that they need sales executives, doing the job of agents, in order to sell life insurance...”*

*... There is no alternative for the agency channel, not just in India, but all over the world. The earlier the companies accept this, the earlier we will see a healthy growth of the life insurance sector in the country...”*

## **CHAPTER 4**

### **Findings and Suggestions Specific to LIC of India**

Traditionally, the individual life insurance agency channel has been the major contributor to new business for LIC of India. It continues to be so. LIC of India appoints insurance agents as per the IRDAI (Appointment of Insurance Agents) Regulations, 2016 dated 15-4-2016. The educational qualification prescribed by LIC, as per its Board Approved Policy, is a pass in 10<sup>th</sup> standard or 12<sup>th</sup> standard or equivalent examination from a recognised Board/ Institution, for individuals from rural area or urban area, as the case may be.

#### **4.1 Agency Supervisors in LIC of India**

Since the beginning of the formation of Life Insurance Corporation of India on 1-9-1956, the Development Officer (DO) posted in the branch office was the only cadre who was to recruit and supervise the performance of the agents and in a way, they were the only ‘Agency Supervisors’. It was from 2008 that the senior and high performing agents who fulfil the requisite norms were allowed an option to work as “Chief Life Insurance Advisor (CLIA)” to manage their own agency team as well as to continue solicit the required new business. In 2016, LIC introduced the “LIC Associate (LICA)” scheme to provide an opportunity to the retired Development Officers who fulfil the prescribed criteria to utilise their marketing skills and continue to work under the name “LIC Associate”. They have been empowered to manage their team of agents. Thus, LIC of India now has DOs, CLIAs and LICAs as ‘Agency Supervisors’ who undertake the role of selection of agents and development of the agency model of soliciting life insurance business.

These agency developers get referrals for agency, or they generate agency leads through cold calling or meetings. They also conduct various search drives to attract eligible candidates for agency e.g., stalls in exhibitions or fairs, advertisements in newspapers, television or social media etc. The responses are screened and the suitable candidates are recommended to the designated person in LIC for appointment as agents under their organization. They then take care of the subsequent processes leading to the final appointment as agents.

The agency supervisors guide their agents on all aspects of soliciting of new business and allied activities involving product knowledge, systems & procedures within LIC and also conduct a few joint calls with them to provide practical tips. They also educate the agents about primary

underwriting, correct way of completing the proposal forms, servicing of the policies and claims procedures. They help their agents to get acquainted with branch marketing officials and staff members of the branch unit.

They are also required to educate their agents to enter into unknown open market with prospecting and lead generation, to help the agents keep their morale high during continuous cold calling and provide support and guidance while they pass through many initial rejections.

With guidance and experience an agent goes on acquiring thorough product knowledge and new marketing skills. Simultaneously, he learns to get his new business and service requests processed by the office staff. While owning the responsibilities and providing services to the policyholders, the agent starts building new relations and starts getting further business from referrals. A good agent, over the years, builds his own brand of credibility & reliability. His yearly business attains high levels and he is awarded membership of various “Clubs for Agents” by LIC that provide him various benefits and improves his social status. Depending on his experience and the level of the club membership, the agent gets nominated for various training programs conducted by various internal and external training agencies.

One has to keep in mind that the agency supervisors do not have any right over their agents. They are not authorised to grant any award to the agent or penalise the agent or exert any pressure on the agent to bring business. They are required to build long lasting relationships with the agents and motivate them with frequent personal touch.

## **4.2 Branch Marketing Officials (BMOs) of LIC**

In a typical branch office of LIC the team of agency supervisors reports to Assistant/ Branch Manager (Sales). Generally, Branch Manager who is in-charge has the responsibility of both the – administrative and marketing – functions of the Branch office.

## **4.3 Challenges specific to LIC of India in appointing agents**

In the previous sections it has been discussed in detail that the profession of Life Insurance Agency has its own peculiarities and it is found difficult to attract the right candidates and retain them in the agency profession. As reported, LIC of India also has its specific challenges related to addition of new agents to its agency force. In the forthcoming section we would

discuss some of the matters related to Agency Supervisors and the Branch Marketing Officials (BMOs) of LIC in connection with appointment and retention of agents.

**Agency Examination:**

While conducting this Research Study, it was mentioned by some LIC officials that more Agency Examination Centres should be developed in rural parts of the country.

### **4.3.1 Challenges related to Agency Supervisors of LIC**

**During the Research Study it was strongly pointed out by certain LIC officials that appointment of agents, enhancement of their productivity and their retention depends on the agency supervisors and hence, ultimately to build a strong Agency channel, first of all, LIC of India needs to strengthen its cadre of agency supervisors. It was emphatically mentioned that the force of Development officers of LIC is getting weakened day by day. In short, the new DOs are not sustaining and the old DOs are not recruiting. The challenges are at two levels:**

**1. Bringing in new blood of Development officers and train them suitably.**

It includes recruitment, training and targets for the Development officers.

**2. Motivating the senior Development officers to continuously recruit and train agents**

It covers the actions to incentivize the performance of Development officers

#### **4.3.1.1 Recruitment of Development Officers and their training**

##### **4.3.1.1.1. Recruitment of Development officers**

LIC of India recruits its development officers at regular intervals through a selection process consisting of a preliminary written examination followed by another written examination and an interview.

**It is reported that more than 50% of newly appointed Development Officers of LIC exit within the first 1 year of their joining. These candidates are highly qualified and academically excellent but not sufficiently interested in the marketing role of a Development Officer. During their apprenticeship and probation period they continue to prepare for other job opportunities and quit LIC as and when they qualify there.**

**Suggestion:-**

LIC requires enthusiastic and professional ‘Marketing Team Builders’ and not mere academically bright students as its development officers. LIC can save its huge cost on dropouts and get suitable, good quality development officers only if the final list for selection of ‘Apprentice Development Officers (ADOs)’ consists of those candidates who are desirous of handling hard-core marketing portfolio of LIC as a ‘Development Officer’.

**The following are some suggestions regarding the same.**

- 1) **Pre-recruitment Counselling** of the candidates will help in bringing right people for the field job of LIC.
- 2) While screening the profiles of the candidates who have applied for the post of ADO or during their personal interview, those of the candidates who may not be really interested in the job of a ‘Development Officer’ could be easily identified. At the same time, it could be difficult for the selection committee to keep them outside the selection because such of these candidates would have scored high in the screening tests and they would have been assigned higher weightage for the written tests. Hence, to make the selection process effective the weightage assigned to the main examinations over the interview is required to be reduced.
- 3) It is also necessary, at the time of selection, to assess the inclination and suitability of the candidates towards developing and managing a team of agents for marketing life insurance products and it is to be given due weightage in the selection process. Sales experience, leadership qualities, sports & extra-curricular activities, driving license etc. need also to be considered instead of solely relying on academic achievements.

**An “Aptitude Test” assessing flair and suitability of the candidates for Life Insurance Marketing and a psychometrics test need also to be included in the selection process of ADOs in addition to the main exam and interview. The appropriate weightages assigned to the Main exam, Aptitude Test and Interview can balance the importance of main exam and interview and also help assess Marketing aptitude of the candidates for better selection.**

- 4) During the ADO recruitment for the year 2019, LIC had considered 25% of the vacancies for the agents. It is reported that within the confirmed DOs, the performance of the candidates confirmed from the agent's category is better than that of the candidates confirmed from the open market. Hence, a greater number of vacancies can be allotted for the existing better performing agents. The selection criteria should also be reviewed to provide greater opportunity to the promising agents. It is seriously felt that LIC can consider appointing **special batches of ADOs from the existing better performing agents.**
- 5) The candidates with a few years (say a minimum of 3 years) marketing experience in the service industry can be considered for appointment as ADOs instead of candidates with no marketing and selling experience.
- 6) **The minimum and maximum age limits at the time of appointment as ADOs** may also be reviewed to eliminate young candidates join the position but continue to focus on other job avenues.
- 7) The value of the four-year Guarantee Bond (liquidated damages) that is to be taken from the selected candidates need to be increased from the present Rs. 25,000/- to an appropriately higher amount.
- 8) **Special and separate Recruitment Drives should be arranged by LIC to get Development officers for its rural branches which have their peculiar conditions. Such recruitments can be conducted State wise or Region wise.**

#### **4.3.1.1.2. Training to Apprentice Development Officers (ADOs)**

**An Apprentice Development officer (ADO) is required to undergo Theoretical Training and Field training. It is reported that though this training covers many academic aspects of Life Insurance, it does not provide the essentially required practical guidelines for marketing and to recruit agents.**

#### **Suggestion:-**

A **standardized curriculum** for training of ADOs is required to be designed scrupulously with improved standard of training topics and activities. The training should clearly specify the role



of a Development Officer and it should provide a complete roadmap for a 'Probationary Development Officer (PDO)' to enter into the market and convert prospects into agents and policyholders. Professionally qualified internal trainers and appropriate external faculty should be appointed for the training. Successful marketing officials should also be invited to share their experiences.

This initial training need to also have sufficient weightage on imparting guidance and tips on practical aspects of agency recruitment & canvassing need-based life insurance. **Also, the ADOs are to be given specific targets of field movement. The details like number of institutions covered etc. are to be regularly and scrupulously verified by the supervising authority.**

#### **4.3.1.1.3. Support to Probationary Development Officers**

**After the stipendiary Apprenticeship the ADOs are placed on probation and designated as 'Probationary Development Officers (PDOs)'. During this period, they are required to complete certain business targets. They then realize the ground reality of various challenges in appointing agents, marketing life insurance and the low conversion rates of "prospects to agents" and "prospects to policyholders". If the PDOs find it difficult to approach people in the new area and cope up with the huge rejections in the market, they tend to search for other job opportunities and quit LIC.**

#### **Suggestion:-**

For these life insurance marketing officials, the initial 2-3 years are very important for their survival and long-term growth. Even after the theoretical and field training the newly recruited PDOs seem not to be familiar with the various techniques of attracting and selecting right candidates for agency and they also seem not to have developed the skills to sell Life Insurance products in the market. But they are under the pressure to complete the prescribed business targets within one year from their appointment to get confirmed. Facing tons of rejections, the PDOs struggle hard to settle in the profession.

During such a crucial period the Branch Marketing officials (BMOs) are required to specially support these PDOs to keep their morale high and help accept the rejections and failures as an inevitable part of their marketing journey. The BMOs would be required to provide practical

guidance to the PDOs to select, train and handhold their agents and bring in business from various segments of the market. The BMOs should appreciate the good performance of PDOs and create a conducive and supportive environment in their unit for these PDOs.

#### **4.3.1.1.4. Business Targets to Probationary Development Officers**

**The PDOs are required to complete certain business targets for their confirmation. Many a times the PDOs find it very difficult to complete the target and they quit.**

##### **Suggestion:-**

Business target for a PDO should be high enough for him to stretch and to test his capacity. But at the same time, it should be at a level to be achieved in the very first year. A senior development officer having his established team of agents is required to recruit only at least 2 agents per year (which is not being done by nearly 25% DOs). To expect a fresh and inexperienced DO to recruit a much higher number of agents in relatively high.

**To yield dividends on recruitment, LIC should provide a period of 3 years to its PDO to groom and develop to the level of a mature Development officer. The cost ratio (may be remuneration) and business targets for PDOs may be reviewed and increasingly spread over a period of 3 years.**

It is reported that at present a good number of PDOs introduce agencies of their relatives and complete their targets from their known resources by their own efforts. They recruit the remaining agents without any screening for their quality or willingness and complete their target of agency recruitment. As a result, majority of such agents get terminated without completing even a single policy. Thus, the probation period of these PDOs is not utilized to serve its real purpose.

It is reported that the attrition of the agents recruited by PDOs is on a very high side and the target of agent recruitment for PDOs appears to be not effective. **Hence, the target of agent recruitment for PDOs may be reduced to a reasonable number in the first year with a condition of a minimum business per agent.** This would make the PDOs to recruit quality agents and improve their productivity by imparting them training, coaching and handholding to approach new segments of prospects.

**Also, the business targets of the PDOs are to be graded for every quarter instead of the present yearly targets and their performance are to be reviewed every quarter *before releasing any benefits* and suggest corrective actions, wherever necessary. This would help weed out the disinterested candidates who join LIC for temporary advantage and continue getting fixed remuneration without any business performance for a long period.**

The present scenario of probation period for PDOs seems to be a nightmare, full of strain of target achievement and stress of maintaining cost ratio within a specific limit. It is also a school of learning wrong ways of doing things for some of the PDOs.

**LIC of India needs to take every effort to make the “Apprenticeship and Probation period” of Development Officers an “enjoyable learning of Agency Development” in the real sense.**

#### **4.3.1.2 Motivation to Senior Development Officers for Agency Development**

**LIC recruits Development Officers for their long-term association and growth with the organisation and imparts them training to get absorbed into the noble culture of LIC.**

**Duties and obligations of a development officer include:**

1. To introduce individuals to the Corporation who would be suitable for appointment as agents.
2. To guide, supervise and direct the activities of their agents.
3. To develop and increase production of life insurance business in a planned way in the allotted area through the agents placed under his supervision.
4. To activate and motivate agents to build a stable agency career.
5. To render services to policyholders
6. To carry out investigation of claims, to revive lapsed policies etc.

A Development Officer is required to bring new business premium 5 times that of his yearly remuneration and maintain his expense ratio less than 20% of his annual remuneration. The business performance of every Development Officer is reviewed every year and further incentives are decided accordingly.

A Development Officer is required to contact several hundreds of people to identify suitable candidates with adequate skill sets to work as an agent as the conversion rate of ‘prospects to suitable agents’ is very low (25: 1). However, it is reported that many of the Development Officers are reluctant to go into the market. They recommend only those candidates who walk into the office enquiring about agency as a job.

To incentivise its Development Officers, based on their new business performance **LIC of India has framed** an incentive scheme based on different performance criteria. However, the scheme provides only a small incentive for appointment of agents. There is no disincentive when agents leave for whatever reasons.

The self-motivated senior Development Officers earn incentives with their excellent performance. A few of the Development Officers do not earn incentives over and above their regular remuneration as they seem to be satisfied with the same, probably they have an earning spouse at home. Such officers do not apparently make any conscious efforts or conduct various activities and drives to attract right candidates towards agency profession and nurture them.

***The range of behaviour of the Development officers of LIC in response to the LIC's Incentive Scheme can be well explained with the following quote:***

***“... Between stimulus and responses there is a space. In that space is our power to choose our response. In our response lies our growth and our freedom. Growth is not compulsory... it is our choice...”***

**The whole behavioural pattern of the marketers of LIC is nothing but their response to the motivational structure built up by the organisation itself. The responsibility or accountability of a class cannot be assumed in any way, but it should be reflected in the rules in a concrete format. If one wants to bring a change in the behaviour, one need to conduct in-depth analysis of the present motivational framework and to modify the stimuli or strokes being provided, wherever necessary.** There can be calculated positive strokes for desirable performance and there must be some appropriate negative strokes or disincentives for negative outcomes such as – no regular recruitments, agency terminations, low productivity of agents etc. LIC needs to take a call on incorporating effective tools to ensure expected outcome from its marketers.

### **4.3.1.3 The Channel: Chief Life Insurance Advisor (CLIA)**

The 'Chief Life Insurance Advisor (CLIA)' channel has provided a way to the entrepreneurial **senior agents** to manage their own teams of agents and earn incentives. Yet, there is an overall feeling that CLIAs do not have the desired identity, accessibility to customer data and prestige at the workplace.

This channel is relatively young and needs careful handling in the branch office to earn the benefits it is intended to bring. During the study it was informed that –

1. The specific training needs of CLIAs are not being taken care of. There is a need to arrange Induction Programmes and regular Training Programmes for CLIAs to enhance their knowledge and sharpen their marketing skills.
2. They need to be supported to strike a balance between maintenance of their individual Club Membership and to manage their own teams of agents. There needs to be some protection to their club membership if they miss out the business target by a small margin and at the same time have some specified number of agents in their agency organisation.

### **4.3.1.4 Training: Continuous knowledge upgradation of Agency Supervisors**

The Agency Supervisors need to recruit, guide and direct their agents to work in the dynamic financial market conditions. The competence of these agency supervisors needs to be enhanced to ensure that their agents deal with the complex insurance products effectively. The supervisors need to be supported with robust training that would empower them to provide product knowledge, perseverance & confidence to their agents and competence in handling joint calls. It is absolutely necessary for the agency supervisors to be trained and to keep them abreast of the changes in the economic environment.

Although LIC of India has different training centres, it is observed that the agency supervisors are not keen to attend the training programs conducted there. Some of the development officers once they are confirmed are not keen to attend regular programs in the in-house training centres. However, they prefer to attend Trainings or Seminars arranged by 'External Training Institutes (ETIs)' and are even ready to pay higher fees for the same.

The following observations were reported about the training imparted to the agency supervisors of LIC:

- a) **By the Agency Supervisors:** Regular training programs are not arranged by LIC and the quality of the training programs does not meet their expectations.
- b) **By the Managers:** Attendance of agency supervisors is very poor in the training programs

Taking into consideration both the points of view, it can be said that improving the standard and frequency of Training Programs arranged by LIC for agency supervisors can be one part of the solution and to make the attendance compulsory **to earn basic benefits (not incentives alone)** can be another part to take care of those agency supervisors who do not understand the necessity and importance of training.

*“... The DOs and CLIAs pay to private professionals/ trainers to get motivational training but abstain themselves from our own training centres. Our training centres should also hire such faculty which will not only improve the skills of our own faculty but will also provide a new flavour to our marketing force. The real position about our training centres must be such that a DO/CLIA should wish ... rather demand for his or her training ...”*

**The following are some suggestions regarding training of Agency Supervisors:**

1. LIC is required to create awareness on the importance of training amongst its marketers and wherever required, make it mandatory. The attendance at regular training may be suitably linked to the basic benefits or incentives of the marketers.
2. Simultaneously, LIC is also required to arrange regular unique training programs for its marketers. The relevance of the training content and its standard - together with the delivery **has to be kept high by assigning the job to select officials having in-depth knowledge and training skills.** Leading marketers like Development Officers, Senior Business Associates (SBAs), CLIAs & external marketing experts could be the guest faculty.
3. The trainings are to enthuse the agency supervisors to regularly update their skills with demonstrative techniques in the form of case studies, role play, field survey, project-based group work and the like.
4. There needs to be **standardised** training material to be provided to the participants for further reference.

5. A post training performance analysis of trainees is to be done to track their growth and further training requirements.
6. The physical training infrastructure of LIC need to be modernised with suitable amenities & digital/ networking facilities and strengthened with people having a drive and passion to run the same in a professional manner.
7. A periodical assessment of competencies of all classes of marketers is required to be undertaken by LIC to ascertain their training requirements. Depending on their performance, they are to be segmented and trained to a higher level of performance.
8. LIC is to continuously track the market and get feedback from its agency supervisors to design and arrange regular training programmes, with focus on the strategies of the competitors.
9. LIC can motivate its agency supervisors to take external certification courses relevant to their work area and incentivise them for the same.

**10. In tune with the changing era, LIC should develop pre-recorded Online Training Modules on select areas for the maximum benefit, flexibility and convenience of the agency supervisors.**

#### **4.3.2 Challenges related to Branch Marketing Officials of LIC**

The Branch Marketing official (BMO) primarily looks after the Individual Agency vertical along with other alternate channels. He has the responsibilities of administration as well as marketing. The role of BMOs is very important in the business growth of LIC as they direct and guide the agency supervisors and agents. They are to be groomed to perform effectively and efficiently.

**LIC has to design an attractive incentive scheme for ‘the BMOs’ as well as ‘the Faculty’ to attract the best talents into these job profiles.**

#### **4.4 Strengthening the Agency Force**

The agency force of an insurer needs to grow at the initial stage horizontally, with number of agents to penetrate the untouched areas, followed by a vertical growth on productivity at the next level. Infusing new agents is of paramount importance for every insurer.

***“... Identify the needy, brief them about income prospects in agency, absorb them, create interest in the profession, train them continuously on products and communication skills, hold their hand, remove inhibitions, monitor performance and suggest corrective actions. Ultimately, everyone should be made to realize that selling a life insurance policy is not a business, it is a service. Selling a policy is protecting a family. Know the literal meaning of “Yogakshemam Vahamyaham” and convey the same to the customers while marketing...”***

But, to recruit and retain agents is not an easy job and much has been discussed on this. A life insurance agency profession continues to be a not preferred profession for many of the educated youth even today.

***“...LIC Agency has never been a CHOICE for anyone aspiring to make a CAREER. More than 95% agents join this profession because of a constant follow up and convincing done by the Development Officer. In my career of 28 years, out of 500+ agents recruited by me, only 5 agents were walk-in candidates ...”***

#### **4.4.1 Attract candidates for LIC agency**

- LIC needs to undertake planned efforts to enhance the social status and the professional position of its individual agents. The process can begin with change in nomenclature of its “Life Insurance Agent” to a new era name which could definitely make a positive impact on its existing agents as well as the prospective candidates. LIC is required to bring cultural change within to improve the self-esteem of the individual agents.
- It has come to light during this study that many of the agents of LIC are not fully aware of the benefits they are entitled to. Therefore, it is absolutely essential that the existing agents as well as the prospective ones are made aware of them. The present advertisement campaign to reach out to large numbers of unemployed youth is to be continued but with newer recall value. The benefit of “Eligibility for Renewal Commission”, scope for supervisory career as a CLIA and growth opportunity to be selected as a Development Officer need to be regularly highlighted.



- LIC needs to undertake aggressive marketing of Agency profession as an attractive option to supplement family income for the people in unorganised sector, part-timers, housewives, retired people etc.
- LIC need to create an exclusive cell to attract HNI individuals to the agency profession and arrange for a continuous training and handholding.
- It is reported that a large number of agents working with LIC are part-timers. LIC needs to focus more on unemployed individuals, retired persons and housewives to be appointed as full-time agents. Further, LIC needs to conduct insurance awareness seminars in the educational institutions of the Mofussil areas to attract the citizens towards insurance and agency as a remunerative profession.

➤ **Appointment of and retention of larger number of young agents**

It is reported that most of the agents working with LIC are between the age group of 40 years and 60 years. These groups of individual agents seem to be comfortable with similar age group of customers and confine to solicit traditional policies in the traditional ways. They do not seem to be attracted towards the younger generation. The younger age group of agents appointed by LIC is reported to feel uncomfortable with the traditional ways of working of LIC and its senior agents.

**In a letter to all Life Insurers (dated 6<sup>th</sup> May 2021), the Chairman IRDAI says**

–  
*“... Indian insurance sector is presently in the cusp of a transformation. There are three main factors in the play: (1) Demography of the country with predominant young population that is likely to persist for several years (2) potential of high economic growth that would improve affordability, and (3) relatively low level of insurance penetration that provides huge opportunity for growth. Indian capability in IT and IT-enabled services sector will further accentuate the potential growth of Indian insurance sector...”*

To effectively connect with the high potential – millennial (age group 22 to 37) customers, LIC needs a brigade of young agents. For this new age customer segment, which is relatively learned and knowledgeable, LIC needs to come with focussed products, differentiated servicing and special emphasis on speedy and effective communication through young agents.

To tap this important customer segment, LIC needs to encourage special drives to recruit young agents. To empower agency supervisors to attract young agents, LIC need to train the former on financial markets, financial products, IT initiatives of LIC and communication skills to get connected with young prospective agents. It needs to be borne in mind that the young generation agents have their peculiarities and expectations for better leadership, challenging jobs, quick results and recognition. LIC need to listen to these young agents carefully and sympathetically to understand the market needs and change itself accordingly. LIC need to arrange focussed training programs for young agents and design special online platforms & dedicated, digitally enabled service hubs to provide support to them.

➤ **Redesign the Career Agency Scheme for unemployed people:**

The life insurance agents are not in a position to earn enough during the initial periods of their work. If they are provided with adequate financial support, there are chances of their turning into highly successful and productive agents.

LIC has a “Career Agency Scheme” for unemployed youths living in urban and rural areas. It provides monthly stipend to them from one year to three years depending on the city of their work. They are required to bring the prescribed benchmarked business and earn the specified commission in addition to the monthly stipend.

Though LIC has a large number of high producer Career Agents, it is said to have only a marginal impact on the business. The stipendiary provision was envisaged to be an excellent marketing tool to appoint large number of agents. However, the sustainability of these agents remains an issue to be addressed, probably because of the high business targets and lack of proper mentoring and monitoring makes the chances of their termination more. The net growth of the career agents across the country seems to be not very encouraging.

Further, the development officers are provided “restricted credit” for the business brought in by their Career Agents after a few years. Hence, this scheme appears to be not popular with the development officers.

It is very essential to redesign the benefits of Career Agency for the agents. Similarly for the agency supervisors, the BMOs or the exclusive marketing officials also so that they come forward to accept ownership of these agents and ensure their growth with proper monitoring and handholding.

- It is understood during the study that after abolishment of the post of “Financial Service Executives (FSEs)” working for the Bancassurance channel of LIC, a huge gap has been created between the support required by multiple outlets of banks and the support being provided by BMOs of the concerned branches. There are quite a few private insurance companies focussing aggressively the bancassurance business. LIC also need to take appropriate solutions to improve its bancassurance business with suitable intermediary model under its BMOs or Agency Supervisors.

➤ **Taking a cue from the private players, LIC can look at its Individual Agency vertical from a different perspective. In mega cities, LIC can segregate the three functions of “Agency Recruitment, Training and Business Procurement” and handover these exclusive portfolios to three different sets of people having core expertise to handle the assigned functions with full focus and efficiency.**

**LIC should seriously think of such type of structure for building its Agency force at a faster pace in certain areas. This framework has a capacity to absorb batches of candidates approaching LIC after mega campaigns or mass recruitment drives and it can provide better monitoring, better retention and better productivity of agents.**

#### **4.4.2 Increase productivity of its agents**

It is well understood that no organisation can remain complacent with the mere size of its agency fleet. It needs to work on each and every agent to make him or her bring the desired business. Along with the number, the quality and the productivity of the agents are very important.

Although the insurance company has mandated a “Minimum Business Guarantee-MBG” for an agent to continue his agency into the next year, only focussing on MBG may not provide the required income for the agent to think forward to increase his new business. Once an individual is appointed as an agent, it is imperative that he is supported to start soliciting business and make him realise his full potential to earn a decent commission regularly. This paves the way for getting various benefits at various stages of his agency career.

**To improve productivity of its agents, LIC need to do the following:**

- **It is essential that all the agents are trained for “Need based selling”, “Product combo-based selling” and “Repeat sales based on Human Life Cycle” that would take care of their long-term commission earnings instead of commission focused sale.**
- The agents are to be segmented into different categories and focussed accordingly.
- The performance of the agents is to be regularly reviewed and periodically monitored to derive value from the appointment of the agents.
- The performance of the agents is to be individually encouraged and collectively recognised.
- The agency supervisors and the BMOs are to be incentivised for the performance and business growth of the different category of agents.
- Maximize automation of the processes to help improve efficiency of pre-sales and post-sales servicing activities to provide better support to marketing functions.
- Leverage cross-selling opportunities in Composite Insurance Agency in an effective way
- Re-design ‘Career Agency Scheme’ to produce consistent high performers

A single ‘Truth’ can be viewed as different ‘Facts’ depending on the positions of various observers. Similar is the case of ‘Improving Productivity of Agents’. One may perceive it as a fact that is always beneficial for the agency supervisors, but the fact as seen from the point of view of agency supervisors can be different and ...here comes the conflict ... instead of a smooth and healthy growth of agents!!

*“... All the efforts taken by a Development Officer in making an agent productive and professional are counterproductive to him or her; ... because LIC will convert all performing agents to CLIA with family agency. The current system developed by LIC of “Internal Poaching” of all performing agents as CLIAs or Development Officers – leaves a Development Officer with the only option of increasing the number of agents and not their productivity...”*

The long term, synergic success of every organization is achieved when it tries to understand and empathize the true feelings of all the stakeholders and arrives at logically fair and equitable solutions and also ensures their execution with a courage earned through its honest intentions.

### **4.4.3 Retention of Agents.**

Every agent appointed by LIC is required to solicit and complete the stipulated minimum new business every year to continue with the agency, year after year. The agents are paid the business commission and ‘bonus commission’. There is also a provision to earn ‘renewal commission’ on subsequent years premiums paid by the policyholder on the continuation of the agency.

#### **4.4.3.1 Attrition of LIC Agents**

The principal reason for the large attrition of agents is non-completion of the prescribed minimum new business. This can be directly correlated to an apparently “wrong selection” of the prospective candidates for agency profession. As discussed earlier, the candidates are to ‘get selected themselves’ to take up agency as a remunerative profession. This needs to be followed by training, handholding and mentoring. The following are some of the reasons that lead to termination of LIC agents:

- 1) Improper, hasty selection of candidates to be appointed as Agents **by the PDOs** to complete the requirements before confirmation. Many of these agents are terminated at the end of the first year without completing their new business targets.
- 2) It is reported that nearly 25% of the newly appointed agents do not visit the LIC office even once as they were not keen towards the agency profession but had consented on being pressurized by the agency supervisors.
- 3) A few of these agents initially solicit insurance business from the few individuals in their known circle. If the solicitation does not convert to policies, they tend to be dejected and do not canvass further. They do not further meet their agency supervisor and do not canvass insurance business either.
- 4) A few of the agents do not accept the insurance agency whole-heartedly. The agency supervisors do not regularly meet the agents. **The taste of commission matters a lot in retaining an agent in the tough job of canvassing Life Insurance. If the supervisor does not focus on the agent immediately after his appointment, at least to complete few proposals for insurance, the agent loses interest. The more the gap between the entry of an agent and proper attention paid by his supervisor, more are the chances of the agent turning to other job opportunities.**

- 5) **The bonding between an agency supervisor and his agent works a lot in keeping the agent attached to the Insurer.** If a 'Probationary Development Officer' does not get confirmed with LIC, all his newly recruited agents become 'orphans'. Though many of them may be allotted to some other development officer they may not experience the same connect while a few others may not be motivated to continue and ultimately are terminated.
- 6) To attract the prospects, many agency supervisors refer the performances of star performers with high income & flexible working hours without making the prospects realise the requirement of planned work and consistent performances. As these new joiners see a gap between their expectations of income and the ground reality of tough work, they tend to lose interest in the agency profession and avoid meeting their supervisors any further. They try for some other stable income avenues and exit the agency.
- 7) The initial 2 to 3 years of the agency are very crucial to acquire experience, knowledge, skills and confidence to continue with the agency profession. The earnings from the agency can be low during this period. A few new agents do initially bring business from their relatives or friends (natural/ primary market). But during this period, it appears that **they are not taught the skills required to bring business from open/ secondary market.**
- 8) It is opined that the pre-recruitment and post-recruitment training provided by the agency supervisors in LIC to their agents does not fulfil the requirements of the new agents. The agents do not seem to be trained in a professional manner in the areas such as personality grooming, product knowledge and marketing skills. The new agents are not provided standardised post-recruitment training material. The agents are not provided enough strength and confidence to solicit business against tough competition by other insurance and financial products. Many times, the agents feel frustrated as they cannot solicit enough business and quit their agency profession.
- 9) It has also been reported that on their confirmation, a few development officers do not continue to handhold the agents and tend to be contended with a few high performing agents.
- 10) A few development officers seem to have the skills and knowledge to handhold and support their agents.
- 11) A few of the part time agents do not work regularly and do not attend the training sessions. They do not seem particular to skill themselves and thereby do not possess the confidence to solicit new business. They lose the enthusiasm to solicit business and exit the profession in due course.

- 12) It is also reported that quite a few agents do not seem to be aware of the additional benefits they are eligible for besides the commission allowed under each of the policies they solicit. Therefore, out of ignorance, although they could be capable of soliciting a greater number of policies, they tend to seek secure jobs elsewhere.
- 13) There are full-time agents who earn a livelihood from the agency but have low awareness about the life insurance market. The society also has low awareness about life insurance and the need for it. If the agents are not provided the required training to build the required confidence, they would not earn for their livelihood. They would in course of time perform other types of job that could supplement their income.
- 14) It is also reported that recruiting large number of individuals at a time would not result in many agents continuing the profession as all of them do not get the required attention and support from the agency supervisor. Therefore, selecting a few at a time regularly would prevent attrition on the long run.
- 15) It is said that the ideal team size of 40-50 agents is what a development officer can control (without assistance). However, the performance of the development officer depends on various factors. Generally, part-time agents or new agents are more dependent on their development officer for joint calls or servicing support. The team size can be increased if the proportion of independent or mature agents are more. **It is observed that if the development officer tries to increase the team beyond a certain limit, some agents get terminated for want of support from him.**
- 16) The absence of any tangible recognition in the branch office in the early days of the agency and the inability to complete high premium proposals for life insurance, delay in customer service that turn away the customers of new agents - lead to the agent exiting the agency profession.
- 17) Differences of opinion with the agency supervisor can also trigger an agent to exit.
- 18) The agents who join through a reference know the agency profession better and are sticky. But it is observed that chances of retention of the agents who join through advertisement on social media are less as they are not clear about the agency profession. Normally, these candidates do not take agency profession seriously and are not aware of the job profile.
- 19) It is observed that the mind-set of youngsters in cities has been changing to “get-rich-overnight”. Instead of long-term association with any organization, the youth are interested in flashy publicity and immediate benefits. Though they have a smaller number of contacts,

the young agents expect quick money. They do not have the patience to wait and build a reputation in the market with their hard work and they quit in the early days.

- 20) It is observed that in larger cities the agency supervisors find it difficult to keep the new agents engaged in the agency profession for a long time as there are other opportunities to earn sufficient income at a faster pace.
- 21) It is observed that number of active lady agents is less. Initially they work better, but after some years, their performance diminishes for various reasons and they get terminated.
- 22) The agents also stop working for LIC for some other reasons like change in place, family pressures, health issues etc.
- 23) **The appointment of an agent is a process of “Trial and error” to some extent** even for the seasoned Development Officers. Nobody is able to predict the success of an agent. The personality traits useful for agency profession cannot be defined with accuracy. Many times, the perceptions about performance get proved wrong.

#### **Persistency of Agents and Persistency of Policies:**

‘Persistency of policies’ and ‘Persistency of agents’ are two sides of the same coin. Good agents take every care for continuation of their policies. It is reported that professional agents like Club member agents do not allow the policies sold by them to lapse beyond 15%. If the policies survive, the agents will also survive. Better persistency in policies gives good renewal commission to the agents and money is always the best motivation to perform still better. Also, retaining an existing customer is cheaper than acquiring a new one. The persistency of policies gives confidence, integrity, involvement and prosperity to an agent.

If an agent is terminated, the policies sold by him become ‘orphaned’. The customers may lose confidence in the product & the insurer and the chances of the policy not being continued increase. The probability of the policies getting lapsed of those agents who get terminated in the first 3 years of their agency is much higher than the mean rate of policies getting lapsed. Hence, the retention of agents is very important for improving the persistency of policies.

The focus on commission rather than the requirements of the customer leads to wrong selling of policies. If an agent does not sell the policies correctly, the chances of the policies not continuing is high thereby reducing the renewal commission for the agent. The relations between the agent and the customers also get strained reducing his customer base. If the agent habitually does the same mistakes, the loss of his customer base and drop in commission can make him exit from the agency profession.



#### **4.4.3.2 What can be done by LIC to retain its agents**

**The following needs to be done by LIC to retain its agents:**

1. Create an awareness in the organisation about the contribution and importance of “Individual Agency Channel” to LIC of India.
2. Create a culture of respect and recognition in LIC for its Individual agents.
3. Educate the agents appropriately at every stage about the noble culture of LIC and about the benefits and growth opportunities available for them while working with LIC.
4. Make it mandatory for agents to attend induction and regular phase wise training programs and to clear the tests thereafter.
5. Appoint competent Agency Supervisors and monitor them **to ensure ‘selection’ by quality agents**. Segment the agents and develop suitability criteria like ‘Scorecard’ for selection.
6. Design a **‘Result Oriented Benefit Framework’** for Agency Supervisors. They are to be encouraged to develop a long lasting connect with their agents and they are to be groomed to treat their agents well. There is a need to establish a system of responsibility and accountability for Agency Supervisors to monitor and review performance of their agents with effective incentives.
7. Strengthen the **training system for Agency Supervisors** to empower them to provide pre-appointment and post-appointment guidance to their agents.
8. Ensure a system that makes to understand the value of every new agent and make it mandatory for the Agency Supervisor to continuously establish connect with him/ her.
9. Strengthen the in-house pre-appointment and post-appointment **Training Systems for agents** with **standardized** contemporary contents and qualified enthusiastic trainers to groom every agent to be competent and to be proud to be an LIC agent.
10. Ensure capability of Agency Supervisors to handhold their agents and ensuring actions.
- 11. Establish a system to build and intensify emotional connect and engagement of an Agent with the organisation.**
12. Assist the agent to make ‘life cycle need based’ repeat sales to clients and **ensure fair earning of commission** and its continuation for him while fulfilling business goals.
13. Empower the agents digitally and analytically in tune with the changing era to succeed in the competition by technically advanced intermediaries
14. Ensure retention of customers and persistency of policies.
15. Take necessary steps to ensure proper servicing support to all agents in all offices.
16. Support growth of agents by sponsoring them for External Training Programs, Certification courses etc. and groom them for higher benefits.

*“... The following are some of my thoughts on appointment, retention & increasing productivity of our (LIC) agents:*

- a. Study and analyse the parameters which are common for a successful agent. Inform the field force regarding the same.*
- b. Have a matrix wherein details regarding - contact made with the agent/s, points discussed, objections taken, conclusion arrived at - etc. are put periodically as well as analysed for improvement.*
- c. Map the present agents as well as terminated agents on various socio economic, geographical, academic and business parameters and derive insights from it.*
- d. Derive feedback from customers who have taken plans like Term, Health, ULIP and Annuity and publicise the same. Also utilise it for training of agents in newer areas where there is resistance to new things...”*

#### **4.5 Training of Agents: Right knowledge, Right skills and Right attitude**

The pre-appointment training of agency prospects should not focus only on passing the agency examination. It should lay a strong foundation to develop a professional Life Insurance Advisor. The post-appointment training needs to be a robust, regular and continuously running training system to create an army of competent life insurance advisors who involve themselves wholeheartedly in their profession.

**Though LIC has a superior training infrastructure in place, to make it more effective, LIC can take the following steps and enhance its Training Mechanism for Agents:**

- 1. Devise a standardised Induction Program for agents and make the attendance compulsory.** A small part of the training may be decided by the local offices.
- 2. Design a standardised, phase wise, continuous post-recruitment training system for agents, with assessment at the end of each module.**
- 3. Motivate the agents to attend the training and clear the test with graded monetary incentive.** The other benefits like bonus commission, club membership may also be linked with **absorption of knowledge (not mere attendance)** imparted by

training. The increased cost would be an investment necessary to reap the benefits of productive agents.

4. **In parallel, LIC should design systematic online post-recruitment training modules** and encourage their use by agents. The pre-recorded online platforms would provide choice of training subject and convenience of time & place to the agents to attend the same. These modules can be used by any number of agents without incurring any extra cost. For rural area, the offline mode of training may be continued for some time.

**The following are some suggestions for offline training of agents:**

1. The branch office training facilities to be enhanced and strengthened.
2. The agents need to be profiled on the basis of age, qualification, gender, business performance, area of operation etc. The training needs to be arranged accordingly.
3. The faculty are to be well qualified with excellent domain knowledge. The inhibitions of the agents to discuss insurance with their family and relatives are to be overcome by the trainings. Leading agents in the industry are to be invited to impart practical marketing processes.
4. The learning experience needs to be enjoyable. The attention of the agents is required to be sustained continuously.
5. A post-training survey of trainee agents are to be conducted periodically for feedback to upgrade the module.
6. The agents are to be sponsored for suitable External Training Institutes (ETIs)

***“...Training and Development (T&D) is to be focussed in all seriousness for productivity and retention. At present, agent is treated only as a number and not as a person who has come to organisation to fulfil his dreams...”***

## 4.6 Utilization of Product Basket of LIC

The product basket of an insurer is to serve the following purposes–

1. **The organisational goals of business** to sustain in the competitive environment
2. **The financial needs of customers** from all strata
3. **The commission earning requirements** of its intermediaries

Often it is observed that the organisation focuses on the target of premium or on the sale of some particular products and directs its agency force accordingly. This approach at times ignores the actual needs of the customers as well as commission requirements for sustainability of the agents.

*“...We are focussed too much on sale of Single Premium policies while we have so many attractive NSP products. NSP provides better financial security to customers and NSP is the main source of earning for Agents through regular commissions. So, optimum use of Product Basket can be made only by focussing on NSP. Further, Agents should not be forced to sell products for which there is no pull-factor demand in the market as these products don't deliver much value to the customers or the Agents themselves... but are sold merely to show Business figures of these products...”*

It is also observed that need based selling does not occur. The agents of LIC often solicit only a handful of products although the insurer has a basket of products that caters to the requirements of all classes of customers. This is due to the lack of confidence and complete knowledge of the different products that can be linked to the needs of each customer.

*“... A comprehensive portfolio of what the customer needs - is to be drilled in and the compensation and motivational structure for intermediaries should be in tune with that. The IB scheme for Development officers must be linked with all diversified products as a part of their business. Agents' competitions should be based on business with segmental product mix, same for Club membership ...”*

It is pertinent that every agent needs to be empowered to perform multiple sales during the different stages of any individual customer, commensurate with aspirations of the individual customer at different stages of his life.

#### **4.7 Relation between the Staff and the Agents of LIC**

The individual agents are the largest contributors of new business to LIC every year. There is an extremely good and cordial relationship between the agents and the staff in all the offices. Nevertheless, there is a need to ensure that there is no severe strain in this relationship.

*“...staff should see agents as long-term valuable assets of LIC rather than looking at them with ‘use and throw’ attitude. The attitude has to change at staff and officers’ level. The agents are not mere numbers, but they are people with emotions, having dreams and they also want love, respect, attention, care and a warm welcome atmosphere at workplace...”*

The following are a few suggestions to strength the relationship.

1. Invite the administrative staff to discuss with the agents the requirements of the office and the agents.
2. Honour the performance of the agents by the administrative staff.
3. Activate the help desk for the agents.
4. Post employees with PR capabilities to man the help desk and cash counters.
5. Encourage and appropriately appreciate the staff who handhold the agents for high performances.
6. Improve the network and connectivity issues at the operating offices.

*Research has shown that to have good relations between two parties, there must be some common goals, frequent interactions and mutual respect between them.*

**Common goals** – *“Productivity Linked Lump sum Incentive (PLLI)” is a very good initiative of LIC which can drive the staff members and agents of a Unit to work together. It can be further explored and evolved in terms of changed parameters and rewards.*

**Frequent interactions** – *Employees can take help of agents to reduce outstanding claims giving them leads for recycling (increased business also strengthens PLLI). The goal of updating mobile number can be achieved by staff with the help of agents which in turn would help reduce lapsation of policies of agents. Regular Joint meetings or social gatherings of agents and staff can be arranged.*

**Mutual Respect** – *Lack of job-knowledge leads to lack of respect. Most of the conflicts amongst staff and Agents are due to lack of knowledge on both sides. The Agency Supervisors and training programs of LIC should take care of knowledge of agents regarding Systems and Procedures of LIC - right from how to fill proposal form - and providing support to the customers at every step. LIC should also bring awareness amongst its employees about the tough job of marketing and train its employees on products, specialized schemes (key man, employer-employee) and keep them updated.*

#### 4.8 “Minimum Business Guarantee (MBG)” of LIC

**Annexure – I GUIDELINES FOR BOARD APPROVED POLICY TO BE FRAMED BY INSURERS:-**

**(4) Agency Performance Review Policy:** Every Insurer shall specify the following criteria:

- a. The Minimum Business Guarantee norms to be achieved by agents during agency year
- b. Criteria for termination of agency for failure to achieve the Minimum Business Guarantee
- c. Criteria for re-appointment/re-instatement of agents terminated for failure to achieve the Minimum Business Guarantee

(IRDAI Appointment of Agents Regulations, 2016)

The IRDAI (Appointment of Agents) Regulations, 2016 allow every insurance company to decide the criteria for appointment of agents and their continuance as agents.

*As per the existing Board approved policy of LIC of India, its MBG norms are – “12 lives” or “6 lives and First Year premium of Rs. 50,000” or “First Year Premium of Rs. 1 lakh”*

Since the revision of the new business requirements by LIC, lesser number of agents go out of the profession. Nevertheless, the attrition of the agents continues to be a challenge for LIC.

**The MBG – whatever may be the parameters - has great significance; because -**

- It provides a benchmark for the agents and the agency supervisors to work for.
- Hence, it reflects the expectations of the company for minimum contribution by an agent to keep him in books.
- It provides a tool in the hands of Agency Supervisors to motivate the new agents.
- It reflects scope given by the company to an agent to continue and perform better.

Simple and easy to achieve business requirements in the first three years could help the agent to continue to receive the renewal commission for the ‘in force policies’ solicited by him. He would continue to work even when he would join another line of insurance subsequently.

The simple MBG norm read with the norm for “Eligibility of Renewal Commission (ERC)” of a company, provide the company one more angle – completion of desired qualifying years with the company for continuance of Renewal Commission to an agent and bearing the cost by the company, ultimately.

Though MBG norm is just “the MINIMUM business” and it does not affect the high performing agents in any way, still it has the capacity to induce motivation in an average agent to run for business at least equal to MBG. Reduction in MBG norm can inflate the agency force of a company, but it cannot ensure quality and efficiency of the agents.

*Hence, MBG must be defined very carefully by a company as it affects –*

- 1. Business contribution per average agent of the company*
- 2. Level of Commission of an average agent of the company (motivation)*
- 3. General business texture of the Company (number of policies or premium etc.)*
- 4. Cost to Company for payment of Renewal Commission to nearly non-performing agents, if MBG is simple.*

Similarly, the ERC conditions also have their significance and need periodical review.

**It is recommended that MBG may be removed to bring “no termination”, but there could be postponement/suspension of renewal commission of low performers that could save time on such procedures.**



## **5. Conclusion**

The digital and the Covid-19 pandemic disruptions have changed the way the service industries work. The impact has been severely felt by the life insurance industry. However, it has shown resilience to bounce back pre-lockdown days with face-to-face solicitation and personalised servicing of the policies.

The individual agency channel, amongst all the insurance intermediary channels, considering its scope, reach and scalability, would continue as the more effective and profitable proprietary channel of distribution for the life insurers. In the coming years, the success of life insurance business would certainly depend on strengthening of the agency channel with the appointment of a greater numbers of interested, enthusiastic and quality candidates; in addition, investing resources to improve the productivity and retention of the individual advisors.

The present Indian Life Insurance industry indicates low levels of agency engagements and a huge attrition of agents. The low cost of agency recruitment may tempt insurers to appoint as many individuals as possible as agents, but the present unmethodical approach can lead to huge cost to company on various counts.

The life insurers need to seriously acknowledge the value and contribution of the individual life insurance advisor, provide the due recognition at the grass root levels, improve the self-esteem of the agents in their social milieu and market the agency profession aggressively in the society. The individual insurance agents have an important role to play to ensure deeper penetration and a healthy growth of the life insurance sector. All the stakeholders are required to complement the efforts of the intermediaries in increasing the awareness for the need of life insurance in the society.

As the first step to develop a strong and efficient agency vertical, the life insurers need to focus on their team of agency recruiters for a systematic selection and continuous capability development. The insurers need to segment the market and build desired agency profiles and recruit the agents through a process of 'selection' of the profession 'by' the eligible candidates. Well-designed onboarding strategies, continuous skilling, ensuring early and decent commission earnings, motivation with appropriate incentives and ensuring conducive environment in the work units are the keys to enhance productivity and retention of the agents. All these require robust policy decisions at the top level and religious implementation at the ground levels. The stakeholders should keep in mind that the value chain can only be as strong as its weakest link!

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**NATIONAL  
INSURANCE  
ACADEMY**

25, Balewadi Baner Road, NIA P.O., Pune 411 045 (India)  
**Tel.:** +91-20-27204000, 27204444 **Fax:** +91-20-27204555, 27390396  
**Email:** [contactus@niapune.org.in](mailto:contactus@niapune.org.in) **Website:** [www.niapune.org.in](http://www.niapune.org.in)