

ATTITUDINAL EXPLORATION OF LIC AGENTS: A QUALITATIVE APPRAISAL

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ABSTRACT

Life Insurance is conceptual and intangible in its nature and it is not understood by majority of the Indian population. Attitude exploration plays a vital role in the segment of insurer, who usually knows that insurance is not bought and it has to be sold. There is a lot of gap among the attitudes of insurers and agents, which creates a lot of problems for agents and vice-versa. Understanding different segment people attitude is a very tough job indeed. There is a need of variety strategies which should be stratified in to different segments and afterwards can be formed and implemented at field level. Promotional activities and agents of life insurance companies is all about to inform, bringing awareness, develop belief, to reinforce trust etc. in the minds of the consumers by using tools such as advertising, public relations, displays, word of mouth, sales promotion, personal selling etc. Promotion bring positive attitude or may cause negative attitude so knowing the feelings of respondents found essential. This paper presents different attitudinal conflict issues related to consumers and agents and its impact on consumers and vice versa. It also suggests some remedial strategies to recover from the attitudinal conflicts.

KEYWORDS: Attitude Exploration, Attitudinal Conflict, Life Insurance, Remedial Strategies, Agents, Promotional Activity

INTRODUCTION

Indian life insurance industry is one of the oldest in the world and has witnessed dramatic changes in the last two centuries. The first Indian life insurance company – The Oriental Life Insurance Company was established in Kolkata in 1818 followed by Bombay Life Assurance Company in 1823. Afterwards, the insurance business increased manifold in the country and the number of insurers reached to 250, but with a regional focus and targeting a few consumer segments. The unethical practices adopted by some players in the sector during this development phase led the government to regulate the insurance business. The Indian Life Assurance Companies Act, 1912 was the first statutory measure to regulate life insurance business. Later in 1928, the Indian Insurance Companies Act was enacted to enable the Government to collect statistical information about both life and non-life insurance business transacted in India by Indian and foreign insurers including provident insurance societies. In 1938 with a view to protecting the interest of insuring public, the earlier legislation was consolidated and amended by the Insurance Act 1938 with comprehensive provisions, detailed and effective control over the activities of insurers.

The Act was amended in 1950 resulting in far reaching changes in the insurance sector. These included a statutory requirement of equity capital for companies carrying on life insurance business, ceiling on share holdings in such companies, stricter control on investments, submission of periodical returns relating to investments etc. to control and put a ceiling on expenses of management and agency commission for mismanaged companies. By 1956, 154 Indian insurers,

16 foreign insurers and 75 provident societies were carrying on life insurance business in India. Life insurance business was concentrated in urban areas and confined to the higher strata of the society (Gupta, 2004). On January 19, 1956, the management of life insurance business of 245 Indian and foreign insurers and provident societies then operating in India was taken over by the Central Government and Life Insurance Corporation (LIC) was formed as a statutory body.

LITERATURE REVIEW

The LIC prevailed in monopoly with the responsibility of providing life insurance protection to the Indian masses till 1999. In tune with the economic reforms that were initiated in India in early nineties, the Government set up a Committee on Reforms (popularly called the Malhotra Committee) in April 1993 to suggest reforms in the insurance sector. The Committee recommended the privatisation of insurance sector to bring competition and choices to the consumer. Of the various motives behind privatization, one important one was to improve the penetration of insurance as a percentage of GDP, which remains low in India even compared to some developing countries in Asia. Reforms were then initiated with the passage of Insurance Regulatory and Development Authority (IRDA) Bill in 1999.

IRDA was set up as an independent regulatory authority, which has put in place regulations in line with global norms. As of now, 16 life insurance companies have been registered by IRDA of which 15 belong to private sector. Life Insurance Corporation (LIC) is the only player in the public sector. The period after the year 1999 saw a revolution in the Indian insurance sector, as major structural changes took place in the sector especially the competition, products and distribution channels. In 2006, insurance companies mobilized over \$31 billion, nearly four times as much as in 1999 when investments were \$8 billion. The private sector market share has also increased sharply in the last few years (Hogan, 2007).

In spite of this development, the critical issues before the Indian insurance sector that still are to be addressed are the penetration levels in response to GDP, geographical distribution and availability of customized insurance products. Of these, the growth of the rural life insurance market and the role of private sector is the central issue in this paper. The growth of India's GDP has been above 7.0% in the last few years and is expected to cross % mark in the near future well ahead of the developed economies of the world. However, the growth in insurance as a percentage of GDP is quite low. In 2000, the insurance penetration as percentage of GDP was 1.77% compared to the various developed countries where it ranged from 5%-14%. It has improved marginally afterwards. IRDA reports of 2004-05 suggest that insurance penetration in India is still low compared to the developed countries.

In 2005, the penetration level (measured as premium as a %age of GDP) was 2.53% compared to 8.90% in U.K. and 10.84% in South Africa. The insurance density in the year 2005 was 18.30 compared to 3278.10 in U.K., 2956.30 in Japan and 30.50 in China. The factors responsible for the growth in the penetration level inter alia includes rising income levels, growing industry competition and long term perceived profitability. But, the focus is primarily on urban insured population. The untapped/underinsured sectors that need careful attention include rural, individual pensions, High Net worth individuals and the weaker sections of the society (Majumdar, 2005).

According to Assocham predictions, the India's Insurance business is likely to jump by 500% in 2010. "By any yardstick, India, with about 200 million middle class households, presents a huge untapped potential for players in the insurance industry" (Ranjan Das, 2007). The growth rates observed for total premium income generated by insurers during 2001-02 to 2005-06 registered a sharp increase. The total premium mobilised by life insurance companies has gone up from Rs. 50,094.46 crores to more than double viz. Rs. 1, 05, 875.77 crores in 2005-06. The IRDA Regulations,

2000 makes it compulsory for the insurers, existing and new to promote the rural insurance. The regulations prescribed for undertaking benchmark percentages for insurances in the rural insurance sector for the players.

The regulations provide that those who are proposing to carry on the life insurance business in the year 2000 or later, are required by these regulations to write in the rural sector, at least 5% of the total policies written directly in the first financial year, and 7%, 9%, 12%, 14% and 16% respectively in the subsequent financial years.

METHODOLOGY

The research methodology adopted for this study is basically related to the evolutionary research method. The research study is based on the secondary sources for collecting data. The secondary data consisted of Annual reports of LIC and IRDA and also some other published journals and magazines of LIC.

DATA COLLECTION

The data collection has mainly focused its findings based on the Annual Reports of LIC and IRDA for respective years and also from Life Insurance Today. Besides, a few websites of LIC and IRDA have also been consulted to collect data related to this study.

Table 1: Some Important Milestones in the Life Insurance Business in India

1818	Oriental Life Insurance Company, the first life insurance company on Indian soil started functioning.
1870	Bombay Mutual Life Assurance Society, the first Indian life insurance company started its business.
1912	The Indian Life Assurance Companies Act enacted as the first statute to regulate the life insurance business.
1928	The Indian Insurance Companies Act enacted to enable the government to collect statistical information about both life and non-life insurance businesses.
1938	Earlier legislation consolidated and amended to by the Insurance Act with the objective of protecting the interests of the insuring public.
1956	245 Indian and foreign insurers and provident societies are taken over by the central government and nationalised. LIC formed by an Act of Parliament, viz. LIC Act, 1956, with a capital contribution of Rs. 5 crore from the Government of India.

Table 2: Some of the Important Milestones in the General Insurance Business in India

1907	The Indian Mercantile Insurance Ltd. set up, the first company to transact all classes of general insurance business.
1957	General Insurance Council, a wing of the Insurance Association of India, frames a code of conduct for ensuring fair conduct and sound business practices.
1968	The Insurance Act amended to regulate investments and set minimum solvency margins and the Tariff Advisory Committee set up.
1972	The General Insurance Business (Nationalisation) Act, 1972 nationalised the general insurance business in India with effect from 1st January 1973. 107 insurers amalgamated and grouped into four companies viz. the National Insurance Company Ltd., the New India Assurance Company Ltd., the Oriental Insurance Company Ltd. and the United India Insurance Company Ltd. GIC incorporated as a company.

BASIC OUTLINE OF INSURANCE AGENTS

Insurance agents and brokers play an important role in marketing life insurance policies. They are the face of the insurance company. Most of the insurance policies world over are sold by insurance agents and brokers.

From the insurance company point of they are the marketing and selling agents for their insurance plans. They provide all the necessary application forms, submit application forms to the company, Arrange for all the medical tests and related formalities, Provide reminders premiums payments and return receipts, Should help you make necessary changes in address, nomination etc., help in the process of assignment, assist you for any loan applications and related formalities, should help you revive lapsed policies, assist in claiming death benefits, if required.

ATTITUDINAL DIVERGENCE OF INSURANCE AGENTS

- **Time Perceptiveness**

Insurance agents sell insurance policies and financial products, such as mutual funds or annuities, to their clients. These agents often set their own hours, allowing flexible scheduling. They also control their own earnings. The more insurance and financial products they sell, the more they earn. However, being an insurance agent is not all sunshine and roses.

- **Public Perception**

A 2010 article in the Agent's Sales Journal revealed that negative public perception, especially among younger consumers, is one problem that insurance agents face. Negative stereotypes about insurance agents abound and insurance agents may find themselves trying to downplay them or prove them wrong. Common stereotypes include the sleazy insurance agent who wants to sell you a policy--whether you need it or not. In reality though, insurance agents are bound by state laws which include ethical codes of conduct that prevent and punish such behavior.

- **Problems with Parent Companies**

Many insurance agents get into the business because they have been promised a better tomorrow by the parent company that hired them. Oftentimes, these parent companies will provide agents with many or all of the tools that they need to get off to a quick start in the industry. However, in some cases, these promises of training prove empty. Agents also sometimes find--after they've been hired--that the company they decided to work for has a poor reputation with consumers. Some agents find themselves constantly fighting the negative image that the parent company may have. A company that has consistently slow response time to claims, or even engages in deliberate attempts to low-ball clients on the claim amounts paid, can make an agent's job difficult. While not all insurance companies are guilty of such behavior, it has been known to happen.

- **Advertising and Marketing**

Because many insurance agents establish their own agencies, they may have to pay out-of-pocket expenses for advertising and marketing. This can be very expensive. For this reason, many agents resort to cold-calling in order to generate sales. This type of marketing, although it can occasionally be effective, can also be exhausting for agents because of the high level of rejection. Many agents would prefer more effective marketing techniques, but they still know that cold-calling can be just one other dreaded part of the job.

REMEDIAL STRATEGIES TO DEAL WITH ATTITUDINAL DIVERGENCE

Whether you are an insurance agent or an insurance customer looking for a new agent, it helps to know what kind of characteristics other people look for in an agent. The best insurance agents share some common characteristics that

existing agents should be aware of and that potential insurance customers may wish to take into consideration before choosing an agent.

- **Work Ethic**

The best insurance agents are typically those that work the hardest. This may not always be the case, but in most instances, top agents tend to be those that are tireless workers who build and expand their business continuously. Having a strong work ethic is most important during the first few years in the insurance business because it establishes a pattern of behavior for later years and helps you get off to a fast start. You need to be self-sacrificing if you are an agent in the industry, for the sake of your business and your clients and their needs.

- **Communication Skills**

Communication skills are essential to being a top insurance agent. Agents who can successfully explain policies and policy details to potential clients are likely to lose these potential customers who may be uneasy about the agreement they are entering into. If you are a client seeking an insurance agent, settling for an agent who cannot effectively communicate with you should not be an option. Effective communicators are those who recognize that each person's communication needs can be different and adjust their own style of communication so that they can be understood by many different types of people.

- **Availability and Flexibility**

As an insurance agent, your job will be to meet the needs of your clients. Client's needs are often tied to their own work and family event schedules. The best insurance agents are typically those that can be reached at odd hours and can provide appointments to customers at all hours of the day or night, within reason. If you are looking for an insurance agent, one of the most frustrating things in the world can be getting stuck with an agent whose doors open at 8 a.m. and close at 4 p.m. Just like with real estate agents or financial brokers, ask potential insurance agents what kind of schedule they normally work in case you need to be able to get a hold of them. Determine whether their company has a 24-hour helpline or if you will always have to wait until the next day to get help. Above all, you need an agent who is willing to be flexible to accommodate your scheduling needs.

- **Agents Training**

LIC of India has started providing training to their employees at every hierarchical position. LIC of India has formed a separate Human Resources Development / Organizational Development (HRD/OD) Department focusing on building and strengthening competencies, commitment and building learning and performance centered culture in the organization. For this purpose training sessions are conducted in a big way across all zones using in-house as well as National / International Training Institutions of repute. LIC of India has organized training programs at IIM's, MDI Gurgaon, certificate AWI program by CII England and many others.

CONCLUSIONS

Insurance brokers act as suppliers, transformers, partners, and problem solvers. In summary, these findings illustrate that successful and customer value creating brokers will need to move away from product-driven business models toward ones that are consulting-oriented. This will require an understanding of the client's specific needs and issues instead

of knowledge about generic market characteristics. Nevertheless, the supplying function is an important part of a broker's tasks, although consulting aspects are gaining ground rapidly. To conclude, the keys to success in attitude exploration of agents and customers are proper need identification, assessment of needs and fulfilling the needs by taking rational decision.

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