CHAPTER VII
ROLE OF AGENTS IN FIRE INSURANCE MARKETING

"The role of agents and intermediaries in insurance marketing whether life or general is of great significance. There is no denying the fact that the insurance is effected through the instrumentality, co-operation and good faith; thereby enjoining on the agents and other intermediaries to do their part for the development of insurance business."¹ Thus, the agents play a vital role in marketing insurance, "on account of the poor insurance awareness on the part of the people, the insurance industry works as a seller's market instead of being as a buyer's market."²

When the buyers and sellers have an equal footing in the market, there will be a convenient process for exploitation as it is done in commodity marketing. The free interaction between the buyers and sellers in the insurance industry is not a common occurrence. It is a one way process and not a two way one, as it ought to be the case. In the wake of this situation, the personnel of insurance industry have to exert a high pressure

² Ibid.
on selling and do large scale counselling of the prospects for the sale of insurance policies. The development officers being the vital organ of the internal sales force of the general insurance companies, have a heavy schedule in their day to day operations for achieving the target fixed by the company, based on which their increments and perquisites are worked out. Naturally, they will evince keen interest in canvassing businesses of big in nature to collect large amounts of premiums. They would not much care for the potential insurance which covers premium of small amount. It is not to be presumed that they neglect small businesses. But, the constraint of achieving the target makes them to fly for big hits which could yield them in millions of rupees.

Another undeniable fact to be noted in this regard is that the development officers manpower is not so commensurate in making the insurance product to reach the remotest villages of the great Indian sub continent. Therefore, there is an obvious need for building up a network of external sales force noted as 'agents' to act as intermediaries between the insurance company and the client.

The efficacy of the company in utilising the agents depends upon the interest shown by it in engaging the agents in procuring insurance business of varying nature,
and motivation of the development officers who keep a
direct contact with the agents to boost the morale of
them to bring flourishing business.

Additionally, selling fire business for risks not
covered by institutional finance is not an easy job,
because the need would not be felt immediately by the
potential buyers. For selling policies with bank clause,
the insurer is not pulling his nerves to a high level,
and he simply supplies the mandatory need of the insured,
created by the financing institutions. The cream of the
sales force will come out only for selling policies with­
out bank clauses. In such cases, the agents who have
no commitment of achieving a big target like the develop­
ment officer, can conveniently meet the potential buyers,
educate them on the need for fire insurance, and mate­
rialise the business. Agents, thus, have been considered
a pivotal source of making direct marketing effort in
fire insurance. He is the main external source in fire
insurance marketing. "The employment of agents, whose
remuneration is a commission paid by the insurers is
almost universal in fire insurance."³

³T.R. Smith and H.W. Francis, Fire Insurance Theory and
Section 182 of the Indian Contract Act, defines an agent as follows:

"An agent is a person employed to do any act for another or to represent another in dealing with third persons. The persons for whom such act is done or who is so represented is called the principal."

The agent, appointed by any one of the four subsidiaries of the General Insurance Corporation, being the principal, for one year on probation from the date of appointment. The agent is required to canvass business for a minimum premium of Rs.7,500/= per annum involving not less than 12 proposals in a city urban agglomeration or town with a population of 5 lakhs and above. He has to secure business for a minimum premium of Rs.5,000/= per annum involving not less than twelve proposals in any other place.

As compensation for the discharge of all the functions as agent, he will be paid commission at the rate of 5% for fire, marine and motor insurance premium collected by him. The agent shall collect the premium and remit to the company for the issue of cover note at first and the policy document later.
QUALIFICATION OF AGENTS

No person shall be appointed as an agent (a) if he does not complete 18 years of age, (b) if he does not possess a valid licence issued under section 42 of the Insurance Act, 1935, (c) If he has not passed the 8th standard school examination or an examination recognised as an equivalent by the company. An agent shall keep a list of clients with their addresses, a record of monthly commission earned by him, and a register maintaining the expiry dates of the policies under the agency.

NEED FOR A STRONG AND TRAINED AGENCY FORCE IN FIRE INSURANCE MARKETING

The selection of agents is the first step in building up an agency force. Since the agents are in direct touch with the public, care should, therefore, be exercised in the selection of suitable persons. The following factors must be taken into consideration while appointing the agents.

(i) The agents concerned can adapt themselves to new trends and requirements of the particular market.

(ii) They must have the capacity to identify the willing prospects.
(iii) They must have the aptitude to sell their product.

(iv) They have the initiative to conduct sales negotiation, and

(v) They must have the ability to conclude sales.

Especially in selling fire insurance policies, the above cited four requisites are essential for initiating the sales deal, and conclude it with profound knowledge on the product and with refined strategies of salesmanship.

In fire insurance selling, the need is not felt immediately, and it is a common scene to note potential clients skipping fire insurance for long periods even for their most hazardous business properties. So, there is a need for a network of trained and enthusiastic agents in marketing fire insurance policies.

RAPPORT BETWEEN DEVELOPMENT OFFICERS AND AGENTS

The development officer governs and supervises the agents appointed by the company under his control. He hunts for agents with suitable qualifications and makes them to move into the field to get business. The agent assists the development officer by making extensive approaches in bringing the prospective fire
policyholders into actual fire policyholders. Each and every development officer keeps a squad of agents in securing various types of general insurance business on behalf of the company.

But, an intrigue question that challenges the development officer is that whether all the agents would be active in securing a fire business. In this regard, the responses from the development officers in the study area are not promising for the development of innovative market in the field of fire insurance.

AGENTS REPORTING TO DEVELOPMENT OFFICERS

It is obvious, that the general insurance companies require manpower and other resources to identify the potential and latent demand for general insurance and convert them into actual sales. The agents, appointed by the company, are considered a significant marketing force in tapping the potential sources of demand. The company needs a large number of assiduous and diligent agents for innovative marketing. As the extent of potential market in the study area is large, the development officers need a great number of active agents.

The survey noted the range of agents working under the development officers in general insurance
companies in the study area. It is a revelation that 59.52% of the development officers had agents less than ten in number; 35.72% had the agents ranging from ten to twenty and only a slender percentage of 4.76% had agents numbering 20 and above. The following table portrays the number of agents employed by the development officers in the study area.

TABLE LXXXVI

NUMBER OF AGENTS WORKING UNDER THE DEVELOPMENT OFFICERS

<table>
<thead>
<tr>
<th>Number of agents</th>
<th>No. of DOs.</th>
<th>Percentage to total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less than 10</td>
<td>25</td>
<td>59.52</td>
</tr>
<tr>
<td>10-20</td>
<td>15</td>
<td>35.72</td>
</tr>
<tr>
<td>20 and above</td>
<td>2</td>
<td>4.76</td>
</tr>
<tr>
<td>Total</td>
<td>42</td>
<td>100.00</td>
</tr>
</tbody>
</table>

It is perspicacious that most of the development officers have only a scanty number of agents who supplement their effort in tapping the potential market. Really, fire folio has to absorb several active agents, because convincing of the prospective fire policyholders essentially required repeated approach.
It is uncommon to see agents to do general insurance alone as their full time career. The volume of business they procure in general insurance is inadequate to yield lucrative income in the form of commission. As a consequence, they take the agency from general insurance company not as their main career, and depend on some other sources to supplement their income earned through insurance commission.

A majority of the agents who carry on agency as their full time career do so, to become the development officers in future, because the General Insurance Corporation places a thrust on recruiting such agents for the post of development officers, if they have the required qualification. The reason is that such agents with their previous experience would do better than the people who are directly recruited for such post. Of late, there is a drift from this practice and the General Insurance Corporation does not give preference to any such agents to the post of development officers.

The survey pointed out the range of insurance agents serving as full time agents under the supervision
of the development officers. The hallmark of the study is that maximum number of the development officers representing 50% had only one agent who carried on general insurance as their full time career. Development officers claiming 9.52%, 14.29%, 11.90%, 9.52% and 2.38% had 2, 3, 4, 5 and 6 number of agents respectively, who did general insurance as their vocation. Only a paltry 2.38% had seven and above number of agents doing general insurance as their full time profession. The following table exhibits the range of full time career agents under the supervision and control of the development officers.

**TABLE LXXXVII**

**RANGE OF FULL TIME CAREER AGENTS**

<table>
<thead>
<tr>
<th>No. of full time agents</th>
<th>No. of DOs.</th>
<th>Percentage to total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>21</td>
<td>50.00</td>
</tr>
<tr>
<td>2</td>
<td>4</td>
<td>9.53</td>
</tr>
<tr>
<td>3</td>
<td>6</td>
<td>14.29</td>
</tr>
<tr>
<td>4</td>
<td>5</td>
<td>11.90</td>
</tr>
<tr>
<td>5</td>
<td>4</td>
<td>9.52</td>
</tr>
<tr>
<td>6</td>
<td>1</td>
<td>2.38</td>
</tr>
<tr>
<td>7 and above</td>
<td>1</td>
<td>2.38</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>42</strong></td>
<td><strong>100.00</strong></td>
</tr>
</tbody>
</table>
The survey has brought to sharp focus that only a few development officers have an adequate strength of full time agents.

**AGENTS DOING ALSO LIFE ASSURANCE CAREER**

A general insurance agent will add strength to the marketing force, provided he undertakes life assurance business too, that is to say, working as an agent in the Life Insurance Corporation of India. The life assurance career would aid the agent to go for creative marketing.

The study sheds light on how many of the agents who report to the development officers, in addition to general insurance, have undertaken life assurance business. It is heartening to note that all the development officers in the study area had agents who undertook agency in the Life Insurance Corporation also.

The details of the range of general insurance agents (working under the supervision of the development officers) who undertook life insurance business also, are incorporated in the table placed underneath.
TABLE LXXXVIII
NUMBER OF AGENTS ALSO WITH LIFE INSURANCE AGENCY

<table>
<thead>
<tr>
<th>No. of agents with life insurance agency</th>
<th>No. of DOS.</th>
<th>Percentage to total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>12</td>
<td>28.57</td>
</tr>
<tr>
<td>2</td>
<td>10</td>
<td>23.82</td>
</tr>
<tr>
<td>3</td>
<td>9</td>
<td>21.43</td>
</tr>
<tr>
<td>4</td>
<td>5</td>
<td>11.90</td>
</tr>
<tr>
<td>5</td>
<td>2</td>
<td>4.76</td>
</tr>
<tr>
<td>6</td>
<td>3</td>
<td>7.14</td>
</tr>
<tr>
<td>7 and above</td>
<td>1</td>
<td>2.38</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>42</strong></td>
<td><strong>100.00</strong></td>
</tr>
</tbody>
</table>

KNOWLEDGE OF AGENTS ON FIRE INSURANCE

"The business of general insurance is widely diversified one in terms of both in varying sizes of clients and all the kinds of risks that are covered under various insurance policies. This business, may each type calls for the application of knowledge and special techniques. Successful and hardcore personnel including intermediaries need to have an understanding of a number of subjects, among them the current practices of insurance, risks involved and their proper
analysis, the law, economics and the rules and procedures and also the day to day industry..."4

Efficient marketing of general insurance goes well beyond the minimum level of technical competence. It requires advanced study in order to achieve high level of knowledge in particular field of insurance, and secondly, marketing personnel should have a desire to use that knowledge not only to advance their position but at the same time to serve the best interest of the clients and insurers.

The agents must have full knowledge of the activities of the industry and the service they sell as the insurance needs of the clients they serve are multi-dimensional, and mostly the clients have little knowledge and sketchy idea about their insurance needs. In the circumstances, an agent should not be essentially a person serving insurance as contact man. Each one of them has to have suitable experience and knowledge to act as advisor for his clients on insurance matters.

Obviously, the agent should be knowledgeable about both side of the market he serves. An agent acting as an intermediary must be an educator in insurance

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matters. He must be able to arrange a sound insurance programme which, to the maximum extent possible meets the client's particular insurance need.

But, a close observation on the agent's technical competence and knowledge on fire insurance in the study area reveals that their knowledge about different types of fire policies is not upto expectation for utilising them for tapping the potential demand for fire insurance.

When an agent approaches a potential policyholder, he has no plan in his mind of what exact type of cover, the prospect is in need. He gives only a rough idea on fire policies. When the potential buyers raise doubts or in need of full details, then the agent has to extricate himself from that embarrassing situation by simply replying that he will approach him later with a vivid information obtained from the development officer or other high level insurance officers. Therefore, the agents meet fiasco in their attempt of convincing a potential policyholder with halfbaked knowledge. They are direly in need of a thorough knowledge in fire insurance, and also the capacity to assess the risk and give apt counselling to the prospects and clients for getting the risks insured under fire.
The survey throws light on the development officers' perception on the agents' level of knowledge about fire insurance. A majority of the development officers constituting 54.76% declared their agents' level of knowledge on fire insurance as average and 46.23% decried the knowledge of their agents as poor. The agents' average level of knowledge denotes that they know only the basic ideas on fire insurance. The following table highlights the development officers' rating of the level of knowledge of agents on fire insurance business.

TABLE LXXXIX

LEVEL OF KNOWLEDGE OF AGENTS ON FIRE INSURANCE

<table>
<thead>
<tr>
<th>Level of knowledge</th>
<th>No. of DOs.</th>
<th>Percentage to total</th>
</tr>
</thead>
<tbody>
<tr>
<td>High</td>
<td>--</td>
<td>--</td>
</tr>
<tr>
<td>Average</td>
<td>23</td>
<td>54.76</td>
</tr>
<tr>
<td>Poor</td>
<td>19</td>
<td>45.24</td>
</tr>
<tr>
<td>Total</td>
<td>42</td>
<td>100.00</td>
</tr>
</tbody>
</table>

The survey of the development officers, as well as the preliminary study made in the study area clearly indicate the insufficiency of the knowledge of the agents in fire insurance.
TRAINING PROGRAMME FOR AGENTS IN FIRE INSURANCE

It is a disclosure from the survey of the development officers that the agent's knowledge is not sound enough in attracting a sufficient number of policies for withstanding competition from other companies. It is the responsibility of the insurance company to equip the agents with sound and updated knowledge in fire insurance. It is apparent that fire insurance marketing needs eminent and enthusiastic sales persons with patience of high order. Fire insurance has limited exposure when compared to other general insurances. So, the company's responsibility is still more added to train and educate the agents on fire insurance in the right perspective.

It is a sordid state of affairs that none of the general insurance companies has organised meaningful programmes for training their agents in various facets of fire insurance. The reason for such a lethargic attitude of the insurance companies is that they rely on the development officers who achieve the target as a matter of their incumbency. Moreover, they care little of the fire business of small premium and not covered by bank clause policies. The development officers are fully engaged in running after big policies. Well trained agents could better materialise the potential
business into actual business rather than simply gazing at the bank doors for bank clause policies. But, the insurance companies are not breaking their heads much in this aspect and they simply take their target hitting job as their glowing goal. "A trained agent sells policies more effectively and also retain his clientele... The development department should organise training programmes for their agents at regular intervals to impart knowledge on new types of covers introduced by the company. This will help the agent to discuss the requirements of the client intelligently and to win his confidence."5

INACTIVE AND BOGUS AGENTS

Generally, the agents shall have more time to meet and sell fire insurance policies, by convincing the prospects, when compared to the development officers. But, when the agents are inactive, the result is disastrous, namely, the termination of their agency coupled with the loss of manpower in innovative marketing.

Agents who run with a tiny volume of fire business may have lost interest in their career. As they get

slender income from fire insurance and other folios of general insurance, they would augment income from other sources and may evince little interest in general insurance career. Eventually, such dormant agents would leave the field. As a consequence, the insurance companies suffer with the inadequate marketing manpower to get adequate fire policies from the prospects.

The survey noted the disquieting feature of the employment of dummy general insurance agents. Dummy agents are appointed to suit the purpose of big clients who spare premium in millions of rupees. The reason for such a practice is that the big policyholders wish to retain commission for themselves. For this, they arrange their own people to get the agency from the insurance company, and the agency commission payable will be obtained by the dummy agent of the big client. Such agents do not go for procuring policies from outsiders.

The development officer himself has to accept the dummy agents, because the denial of such agents may result in a heavy loss of fire and other insurance premium that he currently receives from such big clients. Furthermore, the loss may hit him gravely in not achieving his target. So, the development officers would not stand in the way of the big client, who arranges
for a dummy agency to receive commission. There is no denying the fact that there is no use of dummy agents for the insurance company to strive for innovative marketing in fire insurance.

A census study of the development officers sheds light that maximum number standing for 42.86% of such officers had no active agents, who procured fire insurance business regularly; 14.29% got only one agent canvassing fire business regularly; 30.95% had two agents as regular contributors of fire business; 4.76% were fortunate to have three agents with large contributions of fire business and 7.14% were blessed with four and above number of agents in yielding regular fire business. The table placed beneath projects the particulars of the number of general insurance agents giving fire business regularly to the development officers concerned in Kamarajar District.
### TABLE XC

**AGENTS GIVING FIRE BUSINESS REGULARLY**

<table>
<thead>
<tr>
<th>No. of agents</th>
<th>No. of DOs.</th>
<th>Percentage to total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nil</td>
<td>18</td>
<td>42.86</td>
</tr>
<tr>
<td>One only</td>
<td>6</td>
<td>14.29</td>
</tr>
<tr>
<td>Two only</td>
<td>13</td>
<td>30.95</td>
</tr>
<tr>
<td>Three only</td>
<td>2</td>
<td>4.76</td>
</tr>
<tr>
<td>Four and above</td>
<td>3</td>
<td>7.14</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>42</strong></td>
<td><strong>100.00</strong></td>
</tr>
</tbody>
</table>

### LOW RATE OF AGENT'S COMMISSION IN FIRE INSURANCE

Another blockade that prevents the agents from taking active and aggressive part in marketing fire insurance is the low rate of commission paid by the four general insurance companies on premium collected in fire insurance. At present, the companies pay 5% commission to the agents on fire premium collected by them. When compared to the efforts put forth by the agents in procurement of fire policies this percentage of commission is not enough. Especially selling a policy without a bank clause, is very difficult for the agent because he has to convince the prospects who have no immediate need for fire insurance. But in regard to marine and motor insurance, the need is felt
at once, because insurance is a must for vehicles to get the licence and registration and for marine insurance the probability of claims is more when compared to fire insurance. Consequently, the agent can get such business with little effort of convincing the buyers. Responses elicited from the sample general insurance agents pinpoint that the rate of commission for the agents must be raised for better performance in fire folio.

**NO COMMISSION WHEN THE SUM INSURED EXCEEDS Rs.25,000/= IN BANK CLAUSE POLICIES**

When the sum insured exceeds Rs.25,000/= in the case of bank clause policies, the insurance company will deduct the appropriate commission from the premium and receives only the net premium from the insured. So, the agents are not at all interested in getting bank clause fire policies with sum insured exceeding Rs.25,000/=. They are concerned about policies with bank clause having values of less than Rs.25,000/=. It is worth to mention that a large number of fire policies with bank clause are of the sums assured exceeding Rs.25,000/=. The predominance of such policies rather kills the initiative of the insurance agents to go in for bank clause policies. As a consequence, they make frantic attempts for procuring fire policies without bank clause.
ABSENCE OF BASIC REMUNERATION

In general, the agents are paid only commission for the policies sold by them. The commission alone will not induce them to go for enthusiastic and innovative marketing effort which is essentially needed in fire folio. If they are paid a basic remuneration, certainly they will contribute their mite for peak performance. Recently, the General Insurance Corporation of India has introduced a scheme by which the rural marketing agents can be appointed with a minimum salary of Rs.450/= per month. But, these agents concentrate only on rural insurance and spare little effort in traditional business like fire. Moreover, they are very few in number when compared to the vast untapped resources in fire business in the study area. With regard to fire insurance, their role is quite obscure.

CONCENTRATION IN OTHER TRADITIONAL AND NON TRADITIONAL INSURANCES

It is conspicuous that the agents have to strain every sinew for getting fire policies without bank clause and taken out of the awareness of the insured to fire insurance. But at the same time, they could get marine, motor and other non-traditional general insurance policies with less selling effort. So, the agents concentrate
more on selling marine and motor vehicles policies than on fire. Moreover, the rate of commission for rural based insurance like cattle insurance, is higher than that one offered in traditional business like fire.

**PROVISION OF INEFFECTIVE SELLING APPARATUS FOR FIRE POLICIES**

A successful agent in general insurance pointed out the negligence of the general insurance companies in equipping their agents with selling aids like the fire insurance manuals, brochures and rate tables. These are vital for an agent who approaches the prospects for giving a proper delivery of the product.

"The agents' job is primarily to satisfy the clients' requirements. They should, therefore, be given as much help as possible to do their job smoothly. They should be equipped completely with the various printed materials like the summaries of different schemes, proposal forms, brochures, rate tables, etc., as their selling apparatus." ⁶

Especially, at the time of claim the agents have no independent capacity to guide the insured for completing the claim procedures and makes him to get the claim

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settled in time. Even for clarifying small doubts in claim procedures, they have to run after the development officer, who moves busily for achieving his target.

NO CORDIAL RELATION BETWEEN DEVELOPMENT OFFICERS AND AGENTS

The relationship between the agent and the development officer should be smooth and cordial to enable the agent for having fully equipped to enter into the fire insurance market and getting proper feedback for his actions from the development officer. Since the development officer is the immediate superior to supervise the work of the agents, he ought to keep a good rapport with the agents.

The development officers should provide personalized service to valuable agents. At times, when the agent is not able to turn up to the calls of the policyholders, the development officers should attend on such calls and serve the clients to their best. Thus, the development officers shoulder the responsibility of keeping a good rapport with the agents and serve as a good liaison between the company and the agent.

The annual increments and perquisites of a development officer depends on his achievement of his target for the year. So, he runs from pillar to post to hit
the target. In that process, he least cares for the assistance he has to render to the agents in fire insurance marketing. He does not educate the agents in various types of fire policies and makes them to acquire a thorough knowledge in fire folio. He simply sends them to the field with minimum details. The half-baked attempt of the agents, makes the prospects inconvinced and thereby deferring the taking of fire policies. The agents are not well trained by the development officers to work in the field with full confidence and independence. Another lacuna is that the development officers make direct contact with the prospects of fire policy introduced by the agent and mars the independent approach of sincere agents who are keen to acquire field experience. Above all, some development officers get appointed their own dummy agents to earn commission on general insurance business. Here, the development officer himself serves as an agent but in the name of his close relatives and friends.

Trained agents with sound knowledge in fire folio will bring better results than untrained agents, whose approaches to the prospects of fire insurance and rather fussy and haphazard in nature. It is a dismal feature that the well equipment of insurance agent has long been
neglected in the doldrums of the nationalised set up. Since the study area has a vast potential resources of assets to be insured under fire, the agency force may be geared up with high motivation by means of imparting training and creating an obsession in the career.