CHAPTER - VII

FINDINGS AND RECOMMENDATIONS

The analyses made in the previous chapters indicate that there is a huge potential for life insurance business in India and that agents will continue to dominate the distribution of life insurance products. It can also be observed that customers would like the involvement of agents not only in selling a product but also support them in their personal financial planning, which will increase the frequency of contact between customer and agent leading to agents’ higher productivity. This chapter highlights the important findings of the study stemming out of the responses from both customers and agents and also catalogues a few suggestions for improving the productivity of agents.

FINDINGS AND OBSERVATIONS

Individual agents continue to dominate the life insurance sales with more than 80 percent of the customers stating that they bought their life insurance policy through an agent.

Customers prefer an agent who is a friend or an agent referred by a friend or relative although they are not averse to dealing with an unknown agent. Meeting the agent across the table is the first preference for buying life insurance although customers interact with agents on phone. About one third of the customers are also accessing Internet and websites for information indicating the use of technology by customers for information. Spouse, parent and children are jointly involved with the customer while buying insurance. Friends and relatives do not seem to matter much in decision making although they act as significant triggers to buy insurance.
More than 80 percent of the respondents' family consists of 4 or less than 4 members indicating a strong emergence of nuclear and small families and the phasing out of the traditional joint family system. This implies a greater need for life insurance products from the perspective of the breadwinner of the family. Although customers are aware of life insurance, they are grossly underinsured. More than 98 % of the respondents are underinsured. Although the existing life insurance cover increases with increase in income, high level of underinsurance can be observed in respect of respondents of Chennai. Underinsurance is more pronounced across all income groups and even in higher income group respondents in Tiruchirapalli, which is a tier II city in Tamilnadu. These observations reinforce the existence of a huge market for life insurance business not only in the metro markets but also in the tier II cities.

**PRODUCT PREFERENCE OF CUSTOMERS**

Life insurance, Bank and post office deposits and mutual funds are the top three financial products availed by the customers. In respect of preference for life insurance younger age groups i.e. customers in the age group of less than 30 have given endorsement

Annual income of the respondents has a bearing on their risk taking ability in respect of investments. Customers in the income group of less than Rs.40,000 per month have preference for Bank deposits, Postal savings and Life insurance while customers in the income group of greater than Rs.60000 equally prefer equity shares and mutual fund investments.
Aided by the current bullish stock market conditions, since 2004-05, unit linked products are sold more by the agents presently. Pure term assurance is the least sold among life insurance products. Traditional endowment product still continues to be sold in a large way by the agents in Chennai.

**OBJECTIVE / PURPOSE OF BUYING & TRIGGERS**

Life cover, Savings for children’s education or marriage and availing income tax rebate are the top 3 reasons given by customers to agents while buying insurance. The traditional objective of buying life insurance for Income tax rebate has come down and is ranked only at 3rd position. Customers have started to buy life insurance for life cover and also for accruing savings for children’s education or marriage. This behavioural pattern can be observed across customers of different age and income groups as well.

Although life cover is the principal purpose of buying life insurance, customers in the age group of 30 to 50 are found to have greater concern towards savings for their children. Needs of customer and financial planning requirement are the top two sales pitches for recommending a product to a customer by an agent.

Financial planning triggers (planning to save tax, Children’s future) and recommendation triggers (contact by agent, recommendation from friends) are the top prompters for customers to think of buying a life insurance product. Customers in the younger age group (less than 30 years) are also prompted by their marriage or the arrival of a new born. There is a strong association between the age groups of customers and the financial planning trigger- that of providing for Children’s education or marriage.
TOOLS USED IN SALE

Customers state that “projected maturity value”, ‘comparison with competition products’ and ‘sales literature’ are the most commonly used sales tools by agents. However customers have ranked ‘pension computation’, ‘future cost of education/marriage calculation’ and ‘maturity value projection’ as very effective sales tools. ‘Pension calculation’, ‘projected maturity value’ and ‘future cost of education/marriage’ are the sales tools regularly used by agents. The observations by customers and agents on sales tools used give a divergent outcome.

Although future cost of education/marriage has greater impact with customers, agents do not seem to be using this tool to fully capitalise on the impact. In terms of effectiveness of sales tools, no significant difference in behaviour of customers is being observed with regard to customers’ age group or income group. Customers who are in government service have observed that maturity value projection is a more effective sales tool. 42 percent of the agents compare competition products for understanding product features.

DIFFICULTY IN DECISION-MAKING

Deciding on type of life insurance policy and deciding on sum assured are ranked as the top two difficulties experienced by customers while buying the products. Customers in different age groups and income groups have expressed similar difficulties. With regard to deciding on the type of life insurance, customers in government service have greater difficulty than those from other employment groups. According to agents, customers have most difficulty in deciding on the sum assured and also on what type of insurance to buy. Agents and customers have expressed similar
observations regarding the customers’ difficulty in choosing the policy type and sum assured.

**FINANCIAL PLANNING**

Customers are familiar with various investment avenues but their awareness to financial planning i.e. pension requirement, insurance needs and future cost of education or marriage, is rather poor. About 40 percent of the respondents stated that they were not aware of such a concept with another 35 percent stating that though they were aware of the need for such planning they had done nothing about it. Strong association has been observed between income groups and age groups of customers and their awareness to financial planning.

Only 23 percent of the respondents have some form of personal financial planning. Out of the total respondents a mere 9% have stated that they have a financial plan developed with the assistance of a financial consultant. There is a huge opportunity for agents with adequate knowledge on financial planning to tap this market segment especially customers in the younger age group, who can benefit from the principle of compounding returns over a longer time scale. Customers move towards proper financial planning with increase in their age and income. There is no association between employment groups of customers and financial planning.

Of the customers who have done personal financial planning, 62 percent in Chennai and 73 percent in Tiruchirapalli do review their plan and a majority of them once a year. This provides an opportunity for agents to firm up their ties with the customers through professional expertise. Although 90 percent of the agents state that they assist
customers in financial planning, only 50 % of the customers observe that they have received offer for such assistance from. Neither the experience as agent nor the nature of agency (part time or full time) has an association with agents providing help to customers in financial planning.

More than 95 percent of the agents stated that they have a database of customers, whom they follow up regularly and 60 percent of the agents meet their customers once in six months.

SOURCE OF INFORMATION

Over 80 percent of the customer respondents state that life insurance agent is the most preferred source of information followed by information from relatives and friends. Advertisements in print media have been ranked third in terms of providing information to customers. Customers in Tiruchirapalli find that financial seminars are the most useful source of information on insurance products. Agents in Tiruchirapalli, relative to Chennai have been rated much lower in terms of their usefulness.

PROVIDING REFERENCE TO AGENTS

Customers have stated that they prefer an agent who is a friend or an agent referred by a friend or relative. It is important for an agent to ask for reference from his own friends, relatives or existing customers on a regular basis to expand his customer base. More than 30 percent of the customers are willing to provide references of customers to agents when asked for and only 20 percent of the customers are not willing to oblige even though agents asked for reference. It is interesting to note that 40 percent of the customers state that agents do not solicit reference from them.
Overall, customers are carrying a good opinion about agents and state that agents can be trusted. They also find agents knowledgeable and with capability to explain the product features well. Agents in Tiruchirapalli however are found wanting in their knowledge and seem to push the products, say the customers.

AGENT RECRUITMENT RELATED

It is thus becoming all the more evident that, agents continue to play a dominant role in life insurance distribution and a proper agent recruitment strategy can help the life organisation to maintain higher productivity of agents.

More than 70 percent of the agents are graduates or higher secondary qualified. Very few postgraduates and professionals opt for life insurance selling. Individuals from both finance and non-finance field with or without sales experience have taken to the job of selling life insurance products. 55 percent of the agents surveyed are full time agents. Individuals, who are employed or into business have taken to part time agency. 52 percent of the agents are having club membership recognition. 42 percent of the agents earn commission less than Rs.10000 per month and another 42 percent earn between Rs. 10000 and Rs.20000 per month. Only 16% of the agents earn more than Rs.20000. It is important for life insurance companies to motivate agents to increase their income so as to retain them in the trade. Only about 33 percent of the agents sell other products like mutual fund, Government of India bonds and other financial products.

Age of agents has an impact on their performance. Agents more than 30 years of age are earning more commission and get qualified in large numbers to club
membership benefits. Nature of life insurance agency i.e. part time or full time has an
association with the recognition of club membership and full time agents are motivated
by the club membership benefits and recognition arising out such privilege. Sex of the
agent is found to be not having any association with the performance as life insurance
agent. Although women are successful agents in countries like Korea and Japan a
similar behaviour has not been observed in the current study.

Selling other products has an association with commission earnings. A person
having multiple products to offer, with greater opportunity to frequently meet the
customer, is able to increase his volume of business. Educational qualifications do not
seem to be having an impact on performance as life insurance agent. Experience in
number of years as life insurance agent also does not seem to have any relationship
either on the commission earnings or club membership.

Some of the key differences observed while analysing the responses received
from both Chennai and Tiruchirapalli are listed below.

1. Majority of the customers in Chennai have ranked life insurance as their most
preferred financial product whereas customers in Tiruchirapalli prefer Bank or
Postal deposits.

2. 59 percent of the customer respondents in Tiruchirapalli do not have any life
insurance cover as against only 23 percent of such customers in Chennai. There is
an existence of an association between income group of customers in Chennai and
their existing life cover and such an association has not been observed in respect
of customers of Tiruchirapalli.
3. Customers in Tiruchirapalli have given higher ranking for getting information on life insurance through websites and Internet than their counterparts in Chennai.

4. Comparison of competition products and future cost of education or marriage are more frequently used tools in Chennai and sales literature and pension computation are more frequently used in Tiruchirapalli, say the customers.

5. Customers of Tiruchirapalli have rated sales literature as more useful than maturity value projection, which is ranked higher by customers of Chennai.

6. Customers in Tiruchirapalli differ significantly from customers of Chennai on ranking of agents' attributes. They feel that the agents are not knowledgeable enough and agents seem to be pushing the product without appreciating their need.

7. Deciding on the life insurance company has been observed to be more difficult for customers of Tiruchirapalli. And similar is not the case for Chennai customers.

8. 39% of the customers surveyed in Tiruchirapalli have some form of financial planning as against only 18% of customers in Chennai.

9. Analysis of usefulness of sources of information on life insurance indicates a divergent ranking by customers of Chennai and Tiruchirapalli. While the customers of Chennai have ranked “life insurance agent” as the most useful source, customers at Tiruchirapalli have ranked “attending financial seminar” as the most useful source.
10. While traditional endowment products are the most sold by the agents of Chennai, Unit linked endowment is the most sold by the agents in Tiruchirapalli.

11. Divergent views are noticed in respect of frequency of sales tools used by agents of Chennai and Tiruchirapalli. While ‘pension requirement’ is the most frequently used sales tool by agents in Chennai, ‘future cost of education or marriage’ is the most commonly used in Tiruchirapalli.

12. Agents in Chennai have ranked ‘future cost of education or marriage’ as most effective tool whereas the agents in Tiruchirapalli have rated ‘sales literature’ as most effective.
RECOMMENDATION TO LIFE OFFICES

Life insurance agents demonstrate, sell, advise and inform customers about various products to assist them in choosing the best to suit their needs. This job requires above average relationship with people, reviewing and studying literature, face to face interaction with clients explaining features, reviewing charts, quoting prices and completing paperwork (Peterson, 2001). Performance of an agent depends on various factors mentioned in figure 7.1, already briefed in section 4.15.1 of the text and the relevant figure is reproduced here again to reinforce the criticality of these factors. Each of these factors like recruitment or start up plan has an impact jointly or severally on the agent's performance. Recommendations are suggested here below taking into consideration the criticality of each of the above factors.

Figure 7.1: Factors affecting performance of agents
Life companies have to spend considerably on recruiting and selection as well as on managerial support to increase the number of high performing agents. However improved agent performances will more than offset these costs. Better selection procedures can maximize the return on a company’s investment on new agents (Honan, 2005). In agent selection process, candidate specification is the most vital part and success rate of companies depends on right selection (Mandal, 2006). From the current study it has been observed that recruiting individuals who are more than 30 years of age will be advantageous since they have been found more successful as life insurance agents. Although preferred qualification is 12th or graduation for recruiting agents, higher qualification is inversely proportionate with the success rate (Mandal, 2006). Current study has not indicated any such association between qualification and performance. Full time agents tend to be more productive and motivators like club membership do really enthuse full time agents. Individuals selling other products also do well in life insurance distribution. Recruiting multiple financial product distributors for insurance selling enhances the success rate in agency business. At the same time existing agents need to be encouraged to enlarge their portfolio of financial products.

Agents must get thoroughly trained on the life insurance products and be prepared to address the queries of the customer. Customers prefer an agent who is a friend or an agent referred by a friend or relative. There is a degree of comfort a customer gets when he has familiarity with the agent. Agents have to be trained to prepare a prospect list comprising of their friends and relatives. Training needs to be imparted on telephone skills, including development of a standard script, for fixing up appointment with the prospect list.
Agents should carry with them ready reckoners for ascertaining pension requirement, future cost of education or marriage for different terms and under various inflation rates. As these tables involve complex calculations and assumptions a comprehensive training on using the tables needs to be imparted to agents. Agents have to be made aware of competition products to answer any query from the customer but need not offer to showcase to the customer voluntarily.

Customers would like to involve family members in the decision making while buying life insurance products. It is advisable for the agents to organise the meeting with their customers at their home rather than at office. It has been observed that customers do not involve friends in their decision-making. Moreover the agents need to understand the event that has prompted the customer and also his or her purpose of buying life insurance product. This will help the agent to comprehend the requirement of the customer and make appropriate product recommendation supported by sales tools. When it comes to insurance, agents have to match needs of customers with products, “Customers don’t typically think of how insurance plays a role in their financial future. This is an opportunity for agents to educate as well as fine-tune their customer plans. Whether insurance needs are short-term or long-term, agents should address insurance concerns by looking at the overall picture”. (Goodenow, 2007). The training imparted to agents at the start up of their career should include inputs on understanding the needs of customer and recommending an insurance solution, which may be a combination of products rather than a single product.
The agents can help the customer appreciate the importance of financial planning and the necessity for a customized plan for the customer. It can be observed that selling a solution comprising of life insurance products will become easier if the customer is able to pen down his goals and financial plan. Agents must be knowledgeable in financial planning methodology and help the customer appreciate the requirement for one. Agents should also map his current need as a part of financial plan. This kind of support will bring in a strong relationship between the customer and agent and will help in furtherance of the business by the agent. Life insurance companies should include in their training programmes, a comprehensive module on “need analysis and financial planning”. Customers will experience different difficulties in decision making while buying life insurance products. Agents must be aware of such common difficulties faced by the customer and step in to provide counselling to the customers.

After the completion of the sale, as a best practice, agents need to spend time with the customer in explaining the policy document and policy condition. Role of an agent is to offer services efficiently, and this includes, accurate information related to products, prompt delivery of documents, periodic follow-up, timely reminder and sensitivity to personal aspects and confidentiality of information. (Srinivasan, 2001). Agents also need to visit the customer at an agreeable periodicity. These visits need to be used to update the customer on new developments, performance of existing products and review and mid course correction of financial plan if required.

Taking references of prospect from existing customers is the best methodology of expanding customer base and business by an agent. Customers prefer an agent referred by a friend or relative and taking references from an existing customer increases the business closure probability. Agents need to be trained on the timing of
taking references from the customers. They also need to be trained on using a standard script, which will include details of prospects, for seeking reference from customer as these increases the success rate.

RECOMMENDATION TO AGENTS

An agent job requires him to meet with customers in a variety of environmental conditions listening to the customers’ needs, presenting various products including charts and presentation material. This position demands excellent communication skills, ability to respond quickly for various scenarios, retain information, and act in a professional manner at all times. Agents need to invest time in adequate training of life insurance basics and products. He needs to be knowledgeable, which is a critical requirement in any financial products distribution. Financial planning approach to life insurance sale to a customer can lead to higher sales and more references from existing customers. Ability of the agents to build personal credibility with the clients, defines his success. A satisfied customer normally refers an agent to his friends and relatives. Agents need to qualify themselves in financial planning process. Agents must carry with them key sales tools and be prepared to explain the assumptions and basis of such calculations. He must be sensitive enough to understand the difficulties faced by customer and provide appropriate suggestions to help him take a decision and not to be seen as pushing his products. He must regularly meet his existing customers at an agreed periodicity and offer to review the plans of the customers. He must not shy away in asking for references of prospects from existing customers, as expanding customer base is the key to remain successful in life insurance distribution.
Indian life insurance industry is poised for significant growth on account of low insurance penetration combined with rising affluence of the population. Distribution of life insurance products is one of the key ingredients for driving the growth in this sector. In an emerging market like India, where life insurance continues to be the last priority for the consuming public, individual agents need to play the critical role of providing interface between the companies and the consumers.
REFERENCES: