

**STUDY OF ATTRITION OF SALES FORCE IN LIFE INSURANCE
SECTOR**

---Sayali S. Yadav

ABSTRACT

Currently, a \$41 billion industry, India is the world's fifth largest life insurance market and growing at a rapid pace of 32-34% annually as per Life Insurance Council studies. Currently, in India only two million people (0.2 % of the total population of 1 billion) are covered under Mediclaim, whereas in developed nations like USA about 75 % of the total population is covered under some insurance scheme. With more and more private companies in the sector, the situation may change soon. In one way, it is good news for India that in the case where population is increasing and employment is getting scarce, insurance sector could come to rescue. Interestingly, there could be more jobs for locals.

Paper mainly discusses primary HR challenges related to attrition in life insurance industry. Insurance is not bought but it is sold. Insurance companies sell dreams to the people. It is an unpleasant thing which has to be sold in pleasant manner. Therefore it really requires talent. Handling attrition problem is the major HR challenge faced by this industry. Hence, this study is undertaken to study the rate of attrition in life insurance industry, the reasons behind attrition and possible measures to overcome it.

Introduction:

“The art of choosing men is not nearly as difficult as the art of enabling those one has chosen to attain their full worth”.

With largest number of life insurance policies in force in the world, insurance happens to be a mega opportunity in India. Its business is growing at 15-20% annually and presently is of the order of Rs. 450m. Together with banking sector it adds about 7% to the GDP. Like in the case of BPO's, Insurance sector too faces the problem of attrition. Thus, recruitment is an ongoing process carried throughout the year. This paper is based on the study of recruitment process. The various recommendations suggested have been the result of the study. The idea is to generate ways of dealing with high attrition and making hiring process manageable and efficient. For the past few years, life insurance industry has been fighting a peculiar problem - agent attrition. In FY12 alone, as many as 994,635 individual life insurers quit, according to the annual report of Insurance Regulatory and Development Authority.

Objectives of the research:

- To study the potential and utilization of human resource in life insurance sector
- To study the attrition and reasons behind it in life insurance industry
- To manage the talent by proper recruitment process to increase the productivity of Life insurance sector
- To discuss the possible means for retention of talent in cost effective manner

Research Methodology:

1. Primary data is collected by following survey method. The questionnaire was prepared and 100 sales people employed with different life insurance companies were interviewed.

2. Secondary data is collected from the published articles in journals, magazines, newspaper and reference books.

Primary HR Challenges in insurance industry can be listed as follows:

1. Talent identification - though India produces more graduates than most other countries, our education system does not really help build skills like communication, presentation, problem solving, Customer service etc.
2. Talent retention - While companies face a talent crunch on one side, they also have to work on ensuring that the trained and performing people, who they have with them, stay with them. With newer companies entering the Indian market, job opportunities are higher for trained resources.
3. Expense management - Companies have a challenge of balancing between expanding our reach through more manpower while at the same time ensuring that their expenses are justified and kept within budgets.
4. Attrition - Poaching and hiring from each other is a common practice amongst insurance companies. "Buying talent" (rather than developing it) is the latest mantra being followed by the organizations today. "Poaching" refers to employing a competent and experienced person already working with another reputed company, in the same or different industry; the organization might be a competitor in the industry. A company can attract talent from another firm by offering attractive pay packages and other terms and conditions, better than the current employer of the candidate. But it is seen as an unethical practice, and is not openly talked about. Employees, especially in middle and junior levels of the sales function, tend to move amongst insurance companies. Availability of quality talent is still scarce. Given the huge demand for talent, and since not all of this requirement can be met by fresher, companies tend to poach from competitors. The crunch for all the insurance companies is in sales and setting-up a dedicated agent's network.

To support my above stated HR problems related to talent acquisition in insurance industry I have collected some data after talking to few people who are currently working with insurance

industry. This research mainly consists of study of HR challenges associated with two important human resource of insurance industry i.e. Front Line Sales People and Insurance Advisors under them. The research findings are related to only Life Insurance Sector.

Major findings:

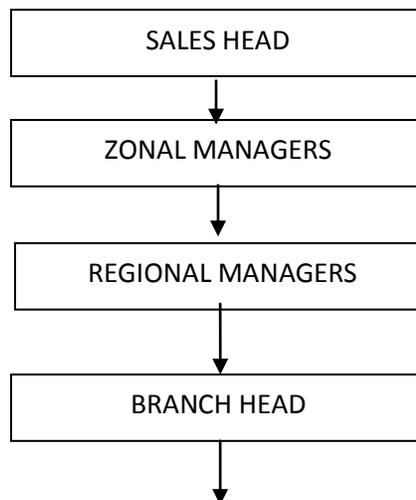
1. Majority (87 respondents) are dissatisfied with their income
2. Majority (84 respondents) are satisfied and aware about their future benefits contributed by the insurance companies.
3. Majority (92 respondents) are dissatisfied with the equity of compensation provided to them at the same level of employment.
4. Majority (77 respondents) agree that working environment is clean and transparent and proper infrastructure is provided by the organization.
5. Majority (97 respondents) agree that they have to work extra time to fulfill target causes stress.
6. Majority (82 respondents) agree that their job is enhancing their social prestige.

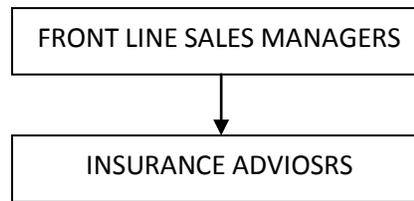
The findings of this research are as follows:

In life insurance sector, policies are sold through two main channels:

1. Alternate Channels
2. Direct Sales Force

Alternate Channels include direct brokers, banks and corporate agents. Whereas direct sales force has following structure:





Recruitment of direct sales force:

- Advisors recruitment is done through newspaper advertisements and majorly by front line sales managers directly.
- Front line sales managers are recruited through placements (90%) and newspapers advertisements (10%).

HR Challenges related to Insurance advisors:

- Insurance advisors are appointed on variable pay i.e. incentive basis. Therefore there is no security of fixed earning.
- Beside variable pay, advisors do not get other security rewards what a regular employee gets.
- Career path is not displayed to them properly. If they get right picture of their future growth in this industry, they may give their best.
- Lack of proper training and guidance. These people are responsible to get policies from clients. So they are directly interacting with clients. But poor training results into poor sales.
- Leakage is a serious issue.
- If Agency Manager leaves the company then they are allotted to other agency managers. Here again the problem is adaptability and human relationship. This affects sales badly.
- As per IRDA regulation, advisors have to stay with one insurance company for minimum three years. In short, after three years the next door is open to them.
- Due to high labour turnover loyalty to company is less.

- Many advisors find IRDA examination difficult, thereby increases leakage. Even absenteeism ratio is high for this examination.
- In some cases advisors are working only for part time. They are already taking up their jobs somewhere else.

HR Challenges related to Front Line Sales Managers:

- It is highly paid job but only for successful people who are able to establish them in industry.
- Sales managers are handling advisors who are not employees of the company.
- They find it difficult to fulfill minimum recruitment number. As soon as Agency manager joins the company, he is given target of recruiting advisors. Then they have no option but to go for forceful recruitment, which results into quantitative fulfillment and not qualitative.
- Many agency managers lack industry and product knowledge. This affects entire sales team.
- Most of the recruitments of sales managers are done by companies only on the basis of personality and ability to communicate. But product knowledge is not given due attention which affects sales in the long run.
- As many of the sales managers are not in a position to fulfill given targets of sales or recruitments, they prefer to join other insurance company. This affects employee loyalty.

Measures by IRDA :Recognizing the problem of agent attrition, IRDA has also taken some steps. It is considering a mechanism of having senior-agent system. This will provide a career path for agents. Further, IRDA is also examining the introduction of a campaign to enable ex-agents to revive their license and recommence their agency profession.

Measures by Companies: Insurance companies believe attrition will be down 10-15% this year, as a result of measures taken to retain agents.

- Through its Fundamental Career School, Max Life Insurance offers pre-license training of 100 hours.
- HDFC Life has designed tech-enabled tools for self learning, business tracking, customer servicing and need-based selling
- Bajaj Allianz Life Insurance has an agent retention programme
- Reliance Life Insurance hired over 10,000 insurance advisors and plans to recruit another 40,000 by the end of FY13

Suggested measures:

- To provide financial security to the advisors, companies can give some fixed incentives during initial period. After that they can be kept on variable pay. This will facilitate them to focus on getting known to the market.
- Grooming of advisors is required to be taken seriously. Main focus should be on quality training and development related to their communication skills, presentation skills, problem solving skills, interpersonal skills, product knowledge etc.
- Training should have practical linkage. For that some methods like mock test can be developed.
- Agency manager should play the role of trainer at all the times. He should be mentor and not the manager. He should follow paternalistic style of leadership.
- Companies can make some tie ups with professional counselors to provide counseling to advisors as well as sales managers in their frustrating periods.
- Some social security can be provided to the advisors as a reward for their loyalty towards company. Like LIC is giving gratuity benefit to its advisors those who are completing 15 years of their continuous services.
- For hard core selling of insurance policies more preference should be given to full timers who can devote their time to this industry. Agents in India are not full time as most of them enter the agency force as a stop-gap arrangement and the successful ones stay on.

- Two ingredients essential to making a workplace conducive to learning are stimulation - through frequent exposure to a wide variety people and ideas and the freedom to explore and pursue individual ideas and passions.
- Arranging leadership development programmes for sales managers.

Conclusion:

Insurance is not bought but it is sold. Insurance companies sell dreams to the people. It is an unpleasant thing which has to be sold in pleasant manner. Therefore it really requires talent. From the above discussion, it can be concluded that attrition is a common phenomenon in any industry, especially in insurance industry. People are less aware of the facts of insurance as many of the people think it is an expenses rather than investment. Resulting, employees face a great difficulty to sustain the job. If we consider the factors which is related to the quality of work life, in that case Degree of employment conditions are one of the curtail factor for attrition. If we consider degree of equitable reward, then those who work or able to fulfill their target, get handsome money as incentives. Full time employees get salary plus incentives and part time employees get only incentives. It is somehow frustrating for the part time sales personnel for their future benefits, as company does not contribute anything in that part. Trust between the colleagues is not from within as all of them are trying to fulfill their objective. Insurance Company can recruit more part time employee and reduce the target or distribute the target among them, then it will be an excellent opportunity to all part time and full time employee to fulfill their target and the attrition rate will be reduced.

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