Agents' Perception towards Life Insurance Corporation With Reference To Perambalur District in Tamilnadu

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Abstract

Life Insurance Corporation of India, the capital intensive business, provides the most important financial instrument to customers aimed at protection as well as long term savings. The Corporation reaches out to the people through the main traditional route of the agency model for the selling processes of the numerous complex need-based products. The agents help in marketing its policies by spreading the message of life insurance among the masses. They serve as the kingpin for insurance companies seeking to provide traditional and innovative products, and focal point for customers seeking to procure insurance coverage and long term savings. The present paper investigates the factors influencing agents' perception towards Life Insurance Corporation of India. The study is based on a sample of 100 respondents taken from three cities of Perambalur District . Factor Analytic Approach has been performed for data analysis. The results of the factor analysis reveal that Staff co-ordination is the most important factor to influence agents' perception followed by other six factors namely: (i) Customer target; (ii) Competitive advantage predicates; (iii) Material hallmarks; (iv)Promising products and process; (v) Service enhancement; and (vi) Exclusive attention. Moreover, analysis of one way classification has also been performed to test the significant differences among the various groups of respondents across the 23-item perception scale. The results demonstrate that no significant differences exist among various groups of respondents with respect to their perception towards Life Insurance Corporation of India.

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Keywords: Life Insurance, Factors, Sales, Perception, ANOVA-one way analysis

Introduction

Sales personnel by providing enough information to the customers, enables them in forming their assessment about the products or services, which ultimately becomes customer value. Customer satisfaction and acumen orientation significantly influence the future business opportunities and if the salespersons are able to foster their relationships with the clients, clients will be more satisfied and more willing to trust, and thus secure the long term demand for the services (Tam and Wong, 2001).

The company – agent link is stronger than the agent – company link, which in turn, is stronger than the customer – company link. Customer loyalty depends on how strong the agents' link with the customer is (Balachandran, 2004). Agents are the indeed ambassadors and the backbone of the insurance industry (Malliga, 2000). Life Insurance Corporation of India (LIC), the capital intensive business, provides the most important financial instrument to customers aimed at protection as well as long term savings. The Corporation reaches out to the people through the main traditional route of the agency model for the selling processes of the numerous complex needbased products. The gigantic superstructure that LIC has evolved into over the years is in fact built on the singular efforts of the salesperson, the primary contact point of the customers who motivates and persuades them to buy an insurance product. Such a salesperson, a sole player must display highest degree of integrity and ethics to foster a trusting relationship with his clients who would be more than satisfied and willing to be buyers.

At present, LIC has around 4.70 million agents and they represent more than 60 percent of the life insurance business (www.licindia.in; Lepaud, 2015). They concentrate their efforts on seeking out new clients and maintaining relationships with the old ones. Clearly, the pyramid of LIC squarely rests on the back of the agents who craft the selling processes to focus more on the needs of his clients – education, home loans, marriage provisions, maximization of wealth, saving for future etc. The traditional market place has given way to dynamic new age professionalism and the LIC product basket has in it a variety of products catering to the needs of the different stages of life and appropriate to the risk appetite. However, the kingpin is the primary contact person the agent. If agents are satisfied with the services or facilities provided by LIC or even with the environment prevailing in the organization, they can be able to provide efficient services to the customers and help in Corporation's success. It is evident from the literature that most of the studies on agents have been done in foreign countries. In India, much effort has not been made to record the views of agents towards LIC in respect of supervisors' behaviour, training, systematization, working condition etc. thus, the present research focuses on those issues of agents' perception which are not yet considered from an Indian perspective. Hence, in this chapter, an attempt has been made to assess the factors influencing agents' perception towards LIC.

History of Indian Insurance Sector

Indian insurance sector has a long standing tradition which dated back to 1818 when Oriental Life Insurance Company was established in Calcutta. Subsequently British Insurance Act was enacted in 1870 which paved way for the foreign insurance companies to set their foothold in India. The Indian Life Assurance Companies Act, 1912 was considered as the first statutory measure to regulate life insurance business in India. The Indian Insurance Companies Act was enacted in 1928 and statistical information about transactions in both life and non-life business in India by Indian and foreign insurers including provident insurance societies was collected by the then Government. Insurance Act, 1938 was passed to protect the interest of the Insurance public which also included comprehensive provisions for effective control over the activities of insurers. In 1956, an Ordinance was passed to nationalize the Life Insurance sector in India. Life Insurance

Corporation of India (LIC) was created established in the same year. The LIC acquired 154 Indian, 16 foreign insurance companies operating in India along with 75 provident societies. LIC enjoyed the monopoly in insurance sector till late 1990s. The report of Malhotra Committee, 1993 provided startling revelations about the insurance sector in India. The report argued that only 22% of Indian public are insured and also strongly recommend that the insurance should be opened to the private players to improve the market penetration of insurance products. The Insurance Regulatory and Development Authority(IRDA) was constituted in 1999 as an autonomous body to regulate and develop the insurance industry. The government of India made a landmark decision to open up the Insurance sector to the private sector in 2000. The government also allowed foreign equity stake in domestic private insurance companies to maximum of 26% of the total paid-up capital. Today atleast 45 private insurance companies are operating in India and 8 public sector companies are in the insurance business in India. Almost all of these private insurers operate as joint ventures between the Indian promoters who hold up to 76% and foreign insurance companies who hold up to 26% as mandated by the law.

Statement of the Problem

The Insurance Amendment Bill was tabled in the Rajya Sabha in 2008 to raise FDI cap in the insurance industry from 26 per cent to 49 per cent. However the bill has been pending since 2008 and the new government which assumed office in 2014 has renewed the interest in passing the bill. The study was an attempt to gauge the attitude of the insurance agents who are doing the business on behalf of the insurance companies toward the decision of government of India .

Objectives of the Study

The major objectives of the study are listed below

- To measure the economical impact perceived by the public and insurance agents due to rise in FDI in insurance sector.
- To analyze the impact on services perceived by the public and insurance agents due to rise in FDI in insurance sector.
- To study the extent of general benefits as perceived by the public and insurance agents due to rise in FDI in insurance sector.
- To understand the impact on economy due to rise in FDI in insurance sector as perceived by the public and insurance agents.
- To study the overall difference in the attitude in the rating between insurance agents and public toward the government decision to increase the FDI in insurance

Literature Review

Dubinsky et al. (1988) examined that when agents' sales supervisors are high on initiating structure, agents had less role ambiguity and more job satisfaction. When sales supervisors were high on consideration, agents tend to have less role conflict and higher job satisfaction. Moreover, it was concluded that role conflict apparently raises agents' role ambiguity, reduces their job satisfaction, and augments their performance. Arora (1992) found that majority of agents are dissatisfied with the functioning of LIC. Rao and Machiraju (1988) contended that a proper understanding of the environment, characteristics, strengths & weaknesses of the available financial instruments, and the changing scenario would be of immense advantage for the proper and successful functioning of LIC marketing force. McElory et al. (1993) investigated three forms of commitment namely, job involvement, professional commitment, community commitment and their relationship to insurance agents' perceptions, attitudes, and performance. The results revealed that professional commitment demonstrated strong and pervasive relationship with job perceptions, job attitudes, and annual earned income. Community commitment exhibited only isolated effects. In addition, Job involvement was significantly associated with some specific job perceptions and attitudes but not with performance. Chung (2000) observed that 'ideological system' of control not only encourages agents to provide life-long personalized and quality services to customers, generate strong/mutual trust among agents and managers themselves, but also made agents willing to behave altruistically, in turn sustaining a warm and supportive working environment. Tam and Wong (2001) examined that satisfaction, the salesperson's self-disclosure, and relation orientation significantly influenced future insurance business opportunities. Malliga (2000) suggested that LIC should adopt special marketing strategies and modern sales techniques for better performance of the agents. Eastman et al. (2002) found that agents appeared to be more concerned about non-Internet direct marketing.

In addition, analysis of one way classification has also been performed to test the significant differences among the various groups of respondents across the perception scale.

Demographic Characteristics The demographic profile of sampled agents of 100 from that Gender:

In consistence with the male-dominated industry under investigation, the majority (85.3%) of the respondents are obviously male. As reported in male agents continue to dominate the profession of life insurance selling. 14.7% are female who opted life insurance selling as their profession.

Age (in years): As the profession of life insurance agents demands hectic travel schedules, it is more suited to the young. Expectedly, 76% of the agents are considered young (between the age of 21 to 40). 16.4% respondents are in the age group of 41 to 60 whereas 6.7 % are up to 20 years of age. Rest (0.9%) fall in the age group of above 60.

Marital Status: Most of the surveyed respondents (78.2%) are married and only 21.8% of the respondents are unmarried.

Place of Residence: It is revealed by the Table 9.1 that majority (80%) of the respondents belongs to urban areas whereas 20 percent are from rural areas.

City: Most of the respondents (40.9%) are from perambalur, followed by (30.7 %) ammapalayam and (28.4%) veppanthatai.

Education Level: In terms of academic qualifications, the minimum education requirement to be an agent is matriculation for rural and senior secondary (12th) for urban people. However, the majority (50.2%) of the agents in the industry are postgraduate followed by senior secondary (23.6%), professional (14.7%), matriculates (6.7%), and graduates (4.9%).

Monthly Salary: it illustrates that 16.4% agents are getting upto Rs. 5000, 20.9% upto Rs. 10000, 35.1% upto Rs. 20000 and 27.6% above Rs. 20000 as the monthly income.

Type of Agents: As regards the categories or type of agents, 84% of the responding agents classified themselves as individual agents (working under the supervision of Development Officers), and rest (16%) are working as a career/direct agents (working under the supervision of Managers).

Nature of Job: Majority of the respondents (56.4%) are doing their job on full-time basis as the main profession. 43.6% are working in LIC on part-time basis.

Club Membership: As far as the club membership is concerned, only the highly successful agents can be club member in the life insurance industry. It is found that 37.3% of the sampled respondents are club members whereas majority (62.7%) of the agents are non-club members.

Working Experience (in years): In general, the working experience of the sampled respondents is short. Majority (69.8%) of the respondents have an experience of up to 10 years in LIC. This is in line with the age structure where most of the respondents are young (between 21 to 40 years). 27.6% agents have experience between 11-20 years while 2.7% has above 20 years of experience to sell the insurance policies in the organization.

Policies Sold: Moreover, majority (49.8%) of the respondents have sold policies above 50 (in number), whereas 20.4% of respondents account for selling policies up to 20 (in number).

Agents' Perception Scale – Development and Refinement Scale Development The study was conducted in the LIC branches located in the major cities, namely, perambalur,Veppanthattai and arumbavoor of perambalur District.

ANOVA-one way classification was performed to test whether any significant difference existed among the various groups of respondents across 15-item perception scale. Five groups of the respondents that are considered for ANOVA-one way analysis are education level (five categories), working experience (three categories), type of agents (two categories), club membership (two categories), and number of policies sold (three categories).

In the present study following **HYPOTHESIS** has been formulated and tested:

H0 : There is no significant difference between the education level of the respondents and their perception.

H01 : There is no significant difference between the working experience of the respondents and their perception.

H02 : There is no significant difference between the type of agents of the respondents and their perception.

H03 : There is no significant difference between the club membership of the respondents and their perception.

H04 : There is no significant difference between the number of policies sold by the respondents and their perception.

Conclusion

Success and overall growth potential of the insurance business depend on the efforts being made by the insurance companies in selling insurance products and services to the policyholders. Selling insurance products is a smart strategy and the real challenge is to retain and service the customer in the vibrant multiplayer competitive industry. Agents serve as the kingpin for insurance companies seeking to provide traditional and innovative products, and the focal point for customers seeking to procure insurance coverage and long term savings. The factor analytic result of the present study reveals that there are seven factors influencing the perception of agents towards their organization. Agents perceive Staff co-ordination as the most important factor followed by other factors, viz., Customer target, Competitive advantage predicates, Material hallmarks, Promising products & process, Service enhancement, and Exclusive attention.

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