Role of agents in Indian insurance sector

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ABSTRACT
Insurance plays an important role in sharing the risks of people in an affordable form. In India, life insurance is generally considered as a tax-saving device instead of its other implied long term financial benefits. An agent in law is one who acts for another and insurance agent is one who works for an insurer. The number of active agents was 9.02 lacs as on 31.03.2003 compared to 7.44 lacs as on 31.03.2002. The average sum assured per active agent in 2002-03 was 19,51,767. Complementary to it is the consistent and continuous training to the agency force through ZTCs, STCs, DTCs and ATCs that can help them to stand on their feet and become truly professionals in a field that is becoming increasingly competitive.

Key words: Insurance, Agent, Premium, Risk, Sum assured

Agents personal development:
Agents like every other individual do have personal goals and ambitions for example, to achieve some senior position in the company. An agent also aims to establish good reputation in the society and is willing to accept higher responsibilities and challenges of the institution. All such personal objectives and benefits in terms of self-interests and the interests of the company need to balance, with the interests of the customers, so as to have meaningful and long lasting result oriented impact on business and growth.

An agent has to sell himself before selling his product of life insurance. This is due to the intangible nature of the products and its long-term commitment. So, trust and belief in the customer is to be created for buying this product, which also needs to be sustained and continued in future too.

A customer buys because he trusts the agent and his promise. So, agent needs to adopt a positive and helping attitude so as not to let down the expectations of the customer. An agent needs to be enthusiastic, optimistic, convincing, and committed. With such high standards in

Table 1: Global market value (Forecast value: $ in Billion 2004-2009)

<table>
<thead>
<tr>
<th>Year</th>
<th>$ in billion</th>
<th>Percentage of growth</th>
</tr>
</thead>
<tbody>
<tr>
<td>2004</td>
<td>3,013.80</td>
<td>4.40</td>
</tr>
<tr>
<td>2005</td>
<td>3,145.00</td>
<td>4.40</td>
</tr>
<tr>
<td>2006</td>
<td>3,295.40</td>
<td>4.80</td>
</tr>
<tr>
<td>2007</td>
<td>3,464.60</td>
<td>5.10</td>
</tr>
<tr>
<td>2008</td>
<td>3,468.80</td>
<td>5.30</td>
</tr>
<tr>
<td>2009</td>
<td>3,838.80</td>
<td>5.20</td>
</tr>
<tr>
<td>CACR, 2004 – 2009 :</td>
<td></td>
<td>5.00</td>
</tr>
</tbody>
</table>

Source: Data monitor
these traits, an insurance agent can face the present market competition confidently.

An agent has to understand his customer and his needs, then communicate with him at horizontal platform. It needs to be effective and meaningful and palatable to customer. It should neither be confusing or incomplete nor suppressive or misleading. It must not lead to any misunderstanding. The common seven Cs of an effective communication like: completeness, correctness, courtesy, conciseness and consideration need to be followed strictly.

Adequate product knowledge is most important in present day competitive world. An agent needs to be well conversant and updated with his product knowledge besides premium ratings, terms and conditions, policy clauses etc. An agent is also expected to know the drawbacks and implications of the product and plan. Having good knowledge of all the products of his particular insurance company is equally important to be a successful agent.

As a true businessman, an agent must have his sales target, premium target, commission income target, revenue target and finally profit target to serve the purpose of himself, company, project and customer. Over a period of time, clients need to be added up and volume of business increased, so as to achieve the set goals and develop business objectives.

An insurance agent having specialized knowledge is a master businessman. As a professional, he has to watch the interests of his customers at the cost of his personal interests and gains. There must be no conflict and clash between these two parameters. Customer has right to know about the product and service, right to choose and select but his interests must always be above all. Also, both company and the agent are to protect the interest of their policy holders as per the law.

An agent has to strive for building long-term relationship with his customers for survival and sustainability in the market. It can be mainly achieved by making the customers feel important, recognized, through a caring and helping attitude, courteous behaviour etc. Listening and understanding the customer is important and the concept of “your customer is always right” is most important for building long term relationship.

The agent before offering any product must know his clients well enough. He must have the knowledge about the state of client’s personal habits, health, occupation, financial position and income, moral character, his family history and all other related aspects which help in field underwriting of a case. After accumulating the needed data/information, if the life is apparently found insurable, only in such a case, proposal should be procured.

In the present age of information, explosion, competition and the service industry like LIC, Insurance companies cannot survive without an action based philosophy of excellence after sales service. After sales service in an insurance industry includes collection of premia, revival/reinstatement of paid up/lapsed policies, nomination and assignment, grant of loan, payment of survival benefits, settlement of surrender value, alteration and finally the settlement of claims (death or maturity) under a policy and an agent can render invaluable help to his clients in these areas.

If the agents are well conversant with the claim settlement procedure and assist the claimants in completing the necessary requirements, it would not only quicken the process of claim settlement and enhance their professional status but also help the organization to improve upon their outstanding claim ratio. Boosting the image of the organization may provide them an overflowing fountain for further business in those families.

Role of agents:

An agent in law is one who acts for another and insurance agent is one who works for an insurer. His job is to bring in customers for the insurance company and is remunerated in the form of commission expressed as a percentage of the premium payable on the business introduced. The rates of commission payable to an agent would normally depend on market competition and the volume and profitability of business procured by the agent concerned. In India, the rates of commission payable are stipulated under the insurance law and no commission is payable for insurance of firms having paid up capital in excess of the amount stipulated.

A critical element of insurance sector reforms is the development of resources having the right skills and expertise in each segment of the industry so as to provide quality intermediation to market participants. The number of agents with LIC as at 31st March 2007 was 11,03,047, while the private sectors had 8,90,152 agents. However, while the net increase in number of agents of LIC was 5 per cent, the private sector numbers increased by 140 per cent in the year 2006-07. The agency network has spread over all the states; however, the number of agents per 1000 population has varied across the states. At the national level, only 2 agents serve 1000 people. Chandigarh has 20 as against the national average of 2. The density of agents in states such as Goa, Kerala and Delhi is way ahead of the national average, while in the north eastern states other than Assam it is far below the national average. The presence of agents is well below the national average in the four populous states of Uttar Pradesh.
Bihar, Madhya Pradesh and Rajasthan. It is worthwhile to mention here that the agency presence of private sector has overtaken that of LIC in states such as Gujarat, Haryana, Jammu and Kashmir, Kerala, Orissa, Punjab, Chandigarh and Delhi.

An agent is a primary source for procurement of insurance business and as such his role is the corner stone for building a solid edifice of any life insurance organization. To effect a good quality of life insurance sale, an agent must be equipped with technical aspects of insurance knowledge, he must possess analytical ability to analyze human needs, he must be abreast with up to date knowledge of merits or demerits of other instruments of investment available in the financial market, he must be endowed with a burning desire of social service and the selling points and also be equipped to assess the needs of the clients.

Role of agents under IRDA regulation:

– Full information must be provided to the proponent at the point of sale to enable him to decide on the best cover or plan to minimize instances of ‘cooling off’ by the proponents.

– An agent should be well versed in all the plans, the selling points and also be equipped to assess the needs of the clients.

– Adherence to the prescribed code of conduct for agents is of crucial importance. Agents must, therefore, familiarize themselves with provisions of the code of conduct.

– Agents must provide the office with the accurate information about the prospect for a fair assessment of the risk involved. The agents’ confidential report must, therefore, be completed very carefully.

– Agents must also possess adequate knowledge of policy servicing and claim settlement procedures so that the policy holders can be guided correctly.

– Submission of proposal forms and proposal deposit to the branch office immediately to avoid delays and to enable the office to take timely decisions.

– A leaflet or brochure containing relevant features of the plan that is being sold should be available with the agents.

Contributions of agents in life insurance corporation:

In Life Insurance Corporation, the year 2001-2002 recorded a phenomenal growth of 137% in first premium income. The sum assured under new policies sold registered a growth rate of 54% and the number of policies sold grew by 16%. The ratio of first insurance to total business completed for the year 2002-03 comes to 80.15% and 67.71% in respect of NOP and SA, respectively. What is it that takes this performance forward? One reason no doubtedly is the large network of agents on rolls in LIC. The tremendous success is, of course, on account of constant and tireless efforts of LIC agents who bring new business to the corporation with increasing growth rate. This record will become the benchmark for future evolution of the efforts of agents. Despite the entry of the regulator and restrictions imposed, the corporation has been able to improve the agency strength from 7.86 lacs (31.03.2002) to 9.88 lacs (31.03.2003). The number of active agents is 9.02 lacs as on 31.03.2003 compared to 7.44 lacs as on 31.03.2002. The average sum assured per active agent in 2002-02 is 19,51,767. Complementary to it is the consistent and continuous training to the agency force through ZTCs, STCs, DTCs and ATCs- that can help them to stand on their feet and become truly professionals in a field that is becoming increasingly competitive.

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Suggestions:

A few brokers have opened a number of branches without regard to the adequacy of working capital requirements and without ensuring the availability of qualified and trained manpower at such offices.

The entry into the broking profession has been regulated, based more on the threshold of the minimum paid-up capital norm of Rs. 50 lakh for a direct broker than on any professional insurance qualification or expertise of the personnel that form the broking firm.

The broker has currently no access to financial information, in the absence of non-publication of quarterly un-audited financial statements by insurers. Even annual statements are not published.

Conclusion:

The insurers are status conscious, and are proud, as a class, the feeling being nurtured by their staff day in and day out. Brokers have a tough role to deal with them on pricing terms. Any rate quoted by the broker has to be supported by the respective insurers. There is a compelling necessity, in the free market to ensure that all the broking company personnel are knowledgeable in insurance
technicalities and are ethical in their conduct and do behave as professional experts in their field, to the satisfaction of the authority and the consumer public.

REFERENCES

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