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Employee Distress in the Life Insurance Industry – Case Study

KEYWORDS

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INTRODUCTION

The life insurance industry has seen two stages of growth, since liberalization in FY 2001. Insurance penetration as a percentage of GDP grew by 75% in FY 2008 as compared to FY 2003, while there has been a 24% fall in the same in FY 2013 as compared to FY 2008 (FICCI & BCG, 2013). Life insurance which was initially hailed as a sunshine sector is now witnessing doldrums due several underlying factors. The country witnessed a 23% decline in economic growth in the last 5 years, which has caused a shift in public mindset to physical assets as opposed to financial savings. Furthermore, regulatory changes have lowered premiums making the industry unattractive to the workforce. Unit Linked Insurance Plans (ULIP) were the key revenue drivers for private insurance players until FY 2010, until the IRDA instituted regulatory changes that caused private players to move to traditional plans driving premiums down (KPMG, 2013). The challenging market generates occupational distress, which eventually affects the effectiveness and efficiency of the organization (Chusmir and Franks, 1988).

This paper seeks to explore the challenges a manager faces in mitigating employee distress in a private life insurance company.

OCCUPATIONAL DISTRESS

Occupational distress is considered to be a product of environmental demands and individual capabilities (Lazarus & Folkman, 1984). Based on previous studies, the identified occupational stressors in insurance are job security and pay & benefits (W.J Coetzer, S.Rothman, 2002) and stressors that could lead to attrition include target pressure, work life balance, job security (Suman Pathak, Vibuthi Tripathi, 2010). Attrition is a major hazard affecting all life insurance companies, with private players suffering around 6-7 % attrition per month among agency managers (FICCI & BCG, 2013). This paper discusses these stressors from a practical standpoint.

OBJECTIVE

1) To understand the challenges being faced by employees in the life insurance sector
2) To decipher if the reforms proposed by the IRDA will have any impact in mitigating employee distress
3) To provide solutions to the current distress plaguing employees.

ORGANIZATIONAL CONTEXT

The concerned organization is a private insurance company that has been operating in India for around 10 years and has high levels of attrition. The concerned role is that of a Branch Sales Manager in Tamil Nadu who works in the Agency channel. His key responsibilities include- 1) Ensuring continued support to subordinates through going on sales and recruitment calls with fresh hires and closing sales calls with experienced hires, 2) Ensuring team of agency managers meet their targets, setting the goal sheet for respective agency managers. 3) Reviewing performance on a weekly/monthly basis, monitor poor performers and issues of non compliance and take action whenever required. 4) Organizing BOP's (Business Opportunity Presentation) for prospective advisors 5) Conducting morning huddles and following up with agency managers on targets and call status 6) Manage the branch and all related issues.

CHALLENGES

1) Recruitment of agency managers – The BSM usually has to individually interview candidates forwarded by the consultant agencies. On an average, an interview lasts for around 15-20 minutes and less than 5% of the candidates is suitable for the position. Furthermore, there is not much control over the quality of candidates forwarded by consultancies. The other option available to the BSM is through internal referrals, which are hard to come by. The average BSM handles around 8 agency managers, but in the event of high attrition, recruitment becomes a day to day affair.

2) Recruitment of advisors – Though the agency manager's role is to recruit advisors, it falls upon the BSM to ensure the team meets their targets. The first step involves bringing suitable candidates for the BOP (Business Opportunity Presentation). Though the agency manager brings in suitable number of candidates, the training duration prescribed by the IRDA i.e. (IC – 33)7 days minimum including Sundays/ 25 hours for renewal of licenses & 75 hours for new licenses (IRDA regulations, 2013) is a big deterrent for new agents. Furthermore, the pass percentage of 50% in the IC-33 examination disqualifies potential candidates.

3) Goal sheet – The BSM's goal sheet is based on the premium to be collected, number of policies to be sold (NOP) and the number of advisor activations to be made. The BSM's KRA is to ensure that the team meets their goal sheet. Due to the dearth of advisors, agency managers spend a great deal of time selling policies individually as opposed to the prescribed agency model. At times for smaller branches, BSM's are inclined to pitch in. When the employee fails to meet his targets, the employee is warned and given additional support. Continued non performance usually ends with termination. Advisor activations are a challenge and even if the agency manager has sufficient numbers of advisors, activation rates are as low as 20-25% (FICCI & BCG, 2013). Furthermore pay scales for agency managers are fixed, with provisions for earning commissions which makes it difficult to drive performance.

4) Calls – The BSM is advised to accompany an agency manager on calls, which can be an extremely taxing affair considering that it involves a great deal of travelling. The average agency manager spends more than 70% of his time on the field and the high employee turnover results in the BSM spending a lot of time assisting the trainer with fresh hires on recruitment and sales calls.

5) Work life balance – Insurance is not a 9:00 to 5:00 job. Agency Managers will be expected to meet their targets, regardless of the date or time. Punch in & Punch out timings is mere formalities in the insurance sector as the workplace is in the field. Employees get distressed with the excessive travel-

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ling and the demanding lifestyle.

In the event of non performance, agency managers are usually offered a warning and within a month or so are terminated if they fail to meet their goal sheets, which add to attrition count.

GOVERNMENT REFORMS

Target pressure – Most insurance companies argue that persistency plays a key role in employee distress and attrition. The current IRDA norms indicate that out of every 100 policies, at least 50% of policies should pay the 13th month and 25th month premium. If this condition is not met, the concerned agent's license gets terminated. The new norms as framed by the IRDA indicate that insurance companies can frame their own persistency norms With regards to the recruitment of advisors; the pass percentage has been reduced from 50% to 35%. (IRDA allows life insurers to frame own persistency rules, Feb 2014).

Pay & Benefits – Over the last 5 years, agents' commissions have been dwindling due to reforms instituted by the IRDA. In October 2013, the IRDA has decided that the maximum commission on a premium paying term (PPT) of 5 years will be 15% for the first year, unlike in the past where commissions could go up to 35%, while commission on PPT of 12years or more could go up to 35%. The move has been justified by the IRDA to push insure companies to market long term policies (IRDA guidelines impact commission and surrender value of traditional products, March 2013)

QUESTIONS

1) Do the IRDA reforms offer any solution towards reducing employee attrition?

2) Is deregulation the answer to solving employee distress and attrition in the life insurance industry?

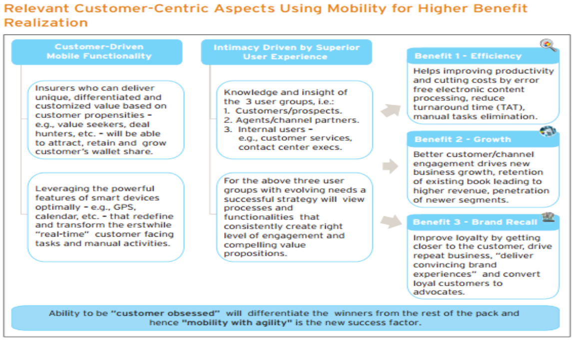
3) What are the possible solutions to mitigating employee distress for employees in this sector?

CREATIVE SOLUTIONS

Mobile based insurance – There are over 850 million people using mobiles in India and the rural penetration is yet to reach saturation. With the development of new Smartphone applications and increasing connectivity, insurance companies can provide applications for their agents to speed up processes such as initial product information and filling of application forms. Furthermore, agents can access training modules on their smart phones and assess their performance on a real time basis. As mobile users are already KYC compliant, it is easy for insurance providers to offer insurance via mobile banking (KPMG Insurance Industry – Road Ahead, 2013).

The applications of mobile insurance could be as follows (Cognizant 20-20 insights, October 2013

1) New modes of doing business – The functionality of mobile platforms could enable agents to create custom presentations for their prospective clients on the move.
2) Communication – Agents can remotely interact with their customers via mail or Skype and mobile wallets could enable customers to make payments on the move.
3) Analytics – The quantum of data available to the agent through analysis of real time customer data could reveal patterns, allowing the agent to offer more customized services.
4) Integration of mobile applications – can be useful to agents and insurance partners in conducting financial planning at the point of sale.



Insurance mobility Business Strategy – A Roadmap and Implementation process (White paper)

CONCLUSION

Employees in the insurance industry suffer from high levels of distress, aggravated by a sluggish economy, growing regulation and outdated selling models. Government reforms have not had any significant impact on the health of this sector and insurance companies need to adopt more innovative models, primarily driven by technology to better their value and re-

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