

Growth and Performance of Life Insurance Intermediaries: A Study of Post Reform Period



Management

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ABSTRACT

Before liberalization only one public life insurance company called Life Insurance Corporation of India was operating in the country. The business of LIC was mainly procured by individual life insurance agents and the company never tried new and innovative channels of distribution. The life insurance industry in India has faced tremendous change especially in the distribution channels after the liberalization when new private life insurance players came in the industry. The private players started procuring business through new distribution channels namely corporate agents, banks, brokers etc. to give competition to LIC. As a result of this LIC also started taking help of these new channels. Thus the present study is an attempt to analyse the role of different distribution channels (also called intermediaries) in the growth of life insurance business. The study revealed that the north-eastern states of the country had very less number of life insurance intermediaries. It was also found that in LIC's individual new business, agents remained most important while in case of private life insurers banks and direct selling also played significant role along with individual agents.

Introduction

The privatization of life insurance sector in India has not only infused competition in life insurance industry but has also accelerated the growth of new life insurance business in the country. The growth potential of the life insurance industry was realised by life insurance companies reaching their customers through the efforts of various distribution channels. The studies have reported that the agents are the most important among the various channel of distribution which are the intermediaries between the life insurer and the customer. Keeping in mind the need for professionalization in marketing of life insurance policies, the regulatory body of life insurance business in India (IRDA) issued its new guidelines applicable from 1st April 2015. These required that a person who wants to act as an insurance agent shall submit his application in Form 1-A complete in all respects along with his PAN details. Besides he should pass Insurance Agency Examination conducted by Insurance Institute of India or any other agency. The minimum qualification for the applicant is 10th standard or equivalent examination from recognized Board or institution. Further, the pre-recruitment training of an agent is to be provided by an insurer for at least 25 hours on life insurance so as to enable him to pass the insurance agency examination. The guidelines also require that the insurer will utilise the services of National Skill Development Council (NSDC) and Banking, Financial services and Insurance Sector Skill Council of India (BFSI SSC) in a phased manner. It is also required that in case of direct sales, the agents, Banc assurance and the insurer's employees shall be adequately trained on seeking information for suitability analysis regarding various specific products of the insurance company through standard proposal form. Brokers shall also be given the necessary training for sale of the products of a particular insurer. If, any license has been issued prior to the commencement of these guidelines, the designated officer of insurer shall recover the agency license and identity card issued to the agents and issue new appointment letter and identity cards within 90 days of commencement of new guidelines.

Review of Literature

Jawaharlal and Pareek (2004) studied the importance of efficient services in life insurance industry. The study highlighted that lack of education and lack of training to agents and brokers were the main reasons for low quality of services.

Rajagopalan (2008) studied the reasons for policy lapsation

in life insurance sector and found that the life insurance companies used different channels of distribution for selling their products. There were considerable variations in the marketing strategies adopted in the sales through these channels. Due to this people got confused or felt cheated due to variations in the marketing strategies.

Shukla and Sneha (2009) in their paper analyzed the awareness of people in villages about insurance and identified critical influencing factors for the life insurance policies. The study revealed that the main source of information on life insurance in the rural areas was the insurance agent (74.8%). An overwhelming proportion of the villagers (94.7%) had taken policies from the agents and the banks were the least important source (1.00%).

Pasricha (2009) in his doctoral research appraised the performance of LIC. The study was an attempt to study the growth and business performance of LIC. The study was based on secondary data covering 27 years from 1980-81 to 1999-2000 (period prior to IRDA) and 2000-01 to 2006-07 (period after IRDA). The study concluded that the business of LIC was mainly procured by individual agents. LIC did not take much help of other channels of distribution. LIC had grown in terms of employees and agents during the study period.

Kumar (2009) studied the trends and reasons in lapsation of life insurance policies in India. The study was based on the period 2002-03 to 2006-07. One of the major causes found in the study for the growing lapsation ratio was forced selling by agents to achieve their targets. Agents also sold policies without taking customers' needs into account. The researcher opined that special incentives to intermediaries would help in decreasing rate of lapsation.

Dutta (2009) in his doctoral work revealed that the productivity of the agents from 1993-94 to 2007-08 increased and the average business done by each agent increased by 10.69 per cent. The results also showed that the number of policies per agent increased significantly from 1993-94 to 2001-02.

Shinde (2011) in his doctoral work compared and analyzed the financial performance of private sector life insurance companies and Life Insurance Corporation of India. The study found that the private life insurers came with right mix of distribution channels for capturing maximum market share to build brand equity, building strong and effective

tive customer relationship and cost effective customer service. Private insurance companies were also using banks, micro-finance institutions and co-operatives to increase their market share and compete with LIC.

Bala and Sandhu (2011) in their paper investigated the factors influencing agents' perception towards Life Insurance Corporation of India. The study was based on a sample of 225 respondents taken from three cities of Punjab namely Amritsar, Jalandhar and Ludhiana. The study found that for the success of company, agents and staff co-ordination were perceived as the most important factor. The study recommended that LIC should consider its agency system as the most crucial distribution channel and should make efforts to provide them efficient facilities to improve its business performance.

Singh and Lall (2011) studied the awareness level of people about insurance policies and their purpose of investment in insurance companies and found that the agents were the most convenient source for getting insurance followed by banks, direct insurance company and brokers. The study suggested that insurance companies should recruit qualitative insurance agents to ensure better after sale services for the policy holders.

Karunanithi and Banumathy (2012) studied the new market strategy adopted by LIC of India to increase the volume of business and its market share in life insurance business. The period of study was 2009-10 to 2011-12. It was found that direct marketing in LIC had achieved reasonable success in creating a professional and disciplined work force. Under Banc assurance, LIC had tie-ups with 8 PSU banks, 4 private banks and 33 regional rural banks under corporate Agency agreement. These banks procured new business for LIC through their branch outlets.

Ramani (2012) in her doctoral work studied the marketing of life insurance services in Coimbatore city and found that number of changes were made in distribution channels. It was found that the main methods to approach the policyholders in procurement of life insurance policies were frequent follow-up actions and prompt services of the life insurance agents.

Imam (2013) in his doctoral work studied the distribution strategies of life insurance industry in business locations like Delhi/NCR, Bangalore, Chennai, Chandigarh, Kanpur, Kolkata, Faridabad, Ghaziabad, Patna, and Mumbai etc. and found that all life insurance companies had adopted a multi-channel strategy. Further in individual life insurance, agency system was dominant while in group insurance the direct selling dominated. The study also suggested that the intermediaries should be well trained and learned.

Purohit (2013) in his paper studied the changes in marketing activities of LIC due to impact of private insurance players. The paper concluded that the market share of LIC was taken away by private players from LIC by bringing new and innovative products to suit the needs of customers and by building a strong distribution network.

Suguna (2015) studied the recent trends in marketing of Life Insurance Corporation of India. The study found that company adopted some new strategies in marketing of life insurance products. LIC made a plan to recruit many women employees in the organization at every stage in the Corporation in order to sell products especially to women of rural areas.

On the basis of review of above mentioned studies an attempt has been made to study the growth and performance of life insurance intermediaries with following objectives in mind:

Objectives of study

To study the growth and performance of life insurance intermediaries in India.

To study the effectiveness of different channels of distribution of public and private life insurance companies.

To identify the types of incentives given to marketing functionaries by public and private life insurance companies for better performance.

Scope of the study

The scope of study is limited to only public and private sector life insurance companies operating in India.

Research Methodology

The present study is based on secondary as well as primary data. The secondary data have been collected from various sources namely Annual Reports of IRDAI and Annual Reports of public and private life insurance companies operating in India. The study has also used some relevant information from the website of Insurance Regulatory and Development Authority of India (IRDAI). These data pertain to the period 2001-02 to 2013-14. The secondary data have been analyzed with the help of growth rate over previous year, Exponential Growth Rate (G) and Compound Annual Growth rate (CAGR). The mean and standard deviation have been used to calculate Coefficient of Variation which helped us to study inter temporal variation in the data. The null hypotheses i) there is no significant difference in the growth of agents of public and private life insurers; ii) there is no significant difference in the performance of agents of public and private life insurers have been tested with the help of t-test.

The primary data pertain to public sector life insurance Company (LIC) and 3 major life insurance companies operating in Punjab. These life insurance companies are ICICI Prudential Life Insurance Company Limited, Bajaj Allianz Life Insurance Company and HDFC Standard Life insurance company. The individual agents have been considered as a unit of investigation. A sample of 200 agents (100 from public sector life insurance company (LIC) and 100 from 3 selected private life insurance companies) spread over four districts of Punjab namely Ludhiana, Amritsar, Jalandhar and Patiala representing all the belts of Punjab namely Malwa, Doaba and Majha regions has been taken. The sector-wise and experience wise analysis have been carried out. The weighted average scores for experience categories (E_1 , E_2 and E_3) and sectors (public and private) have been computed. In order to sharpen the inferences drawn on the basis of description of facts in terms of frequencies, percentages and averages, non-parametric tests namely Chi-square, Kendall's Coefficient of Concordance and Kendall's Rank Correlation Coefficient, commonly referred to as Kendall's Tau Coefficient have also been used at appropriate places. The null hypothesis (H_0) for Chi-square test is that there is no significant opinion difference among the public and private sector respondents. The null hypothesis (H_0) for Kendall's Coefficient of Concordance is that there is no significant concurrence of rankings among the respondents from various experience categories. The null hypothesis (H_0) for Kendall's Tau coefficient is that there is no significant agreement among the public and private sector respondents. These hypotheses have been tested at 5

per cent level of significance.

Growth of Agents of Life Insurance Industry in India

An agent is a primary source of procurement of life insurance business in India. However, over time many other channels of distribution namely insurance brokers, corporate agents and banks have been added to sell life insurance policies in India but their contribution in procurement of life insurance business is very small. The data on number of individual agents of life insurance industry are placed in Table 1.

Table 1 depicts that the total number of individual agents increased from 476902 in 2001-02 to 2188500 in 2013-14 registering a growth of 11.72 per cent during the period of the study. The industry registered a very high growth rate in total number of individual agents in 2002-03 over 2001-02 (117.82 per cent). In 2003-04, the industry registered a growth of 49.87 per cent over 2002-03. The industry did not show uniform growth in total number of individual agents over the period of the study. However, the industry showed positive growth rates in all the years of the study except 2004-05, 2010-11 and 2012-13. The table further reveals that public sector life insurer (LIC) registered a growth of 7.64 per cent in total number of individual agents during the years of the study while private sector registered a much higher growth rate of 25.90 per cent during the same period. During 2004-05, both LIC and private sector showed a negative growth of 73.64 per cent and 40.70 per cent over the previous year respectively. LIC did not show uniformity in the growth of number of individual agents during the study period. It showed a positive growth in number of agents during the study period except 2004-05, 2010-11, 2011-12 and 2012-13. Similarly private sector showed a very high growth rate in 2002-03 (167.07 per cent) and 2003-04 (135.48 per cent). The share of

increased and reached 37.68 per cent in 2011-12. It again declined and reached 30.57 per cent in 2013-14.

private sector in number of individual agents in the industry was continuously increasing up to 2008-09. After 2008-09 the per cent share of private sector in number of individual agents in industry declined up to 2012-13. However, the percentage share of private sector improved in 2013-14. The Coefficient of variation stood at 0.34 per cent and 0.70 per cent for number of individual agents in case of LIC and private life insurers respectively showing that inter-year variation of number of individual agents was lesser in case of LIC as compared to private life insurers. The calculated value of *t* accepts the null hypothesis that there is no significant difference in growth of number of individual agents in the public and private sector at 5 per cent level of significance.

Agents' Turnover Ratio

Annual agent turnover is the percentage of all agents that leave an organisation over the course of year. If an employer is having a high turnover relative to its competitors, it means that employees of that company have a shorter average tenure than those of other companies in the same industry. High turnover may be harmful to a company's productivity if skilled and experienced employees are often leaving and the employee population contains a high percentage of new employees. In life insurance industry maximum number of life insurance policies is sold by individual agents. Therefore they have an important role in growth of business. Agents' turnover ratio in life insurance industry in India is given in Table 2.

The table reveals that agent's turnover ratio of Indian life insurance industry was high during 2006-07 to 2013-14. In 2006-07 the agent turnover ratio was 20.73 per cent. After 2006-07, the turnover ratio of life insurance industry was continuously increasing year after year up to 2011-12 except 2009-10. However, it declined to 30.54 per cent in 2009-10 from 34.61 per cent in 2008-09. In 2010-11 it again

Table 1: Growth in Number of Individual Agents of Life Insurers Operating in India

Year	Sector						Total Life Insurance Industry	Growth Over Previous Year
	Public			Private				
	Number of Individual Agents	Growth Over Previous Year	Percent in total (%)	Number of Individual Agents	Growth Over Previous Year	Percent in total (%)		
2001-02	4,42,680	-	92.82	34,222	-	7.18	4,76,902	-
2002-03	9,47,405	114.02	91.20	91,397	167.07	8.80	10,38,802	117.82
2003-04	13,41,597	41.61	86.18	2,15,220	135.48	13.82	15,56,817	49.87
2004-05	3,53,634	-73.64	73.48	1,27,616	-40.70	26.52	4,81,250	-69.09
2005-06	4,72,002	133.70	65.42	2,49,478	95.49	34.58	7,21,480	49.92
2006-07	11,03,047	8.22	55.34	8,90,152	256.81	44.66	19,93,199	176.27

2007-08	11,93,744	12.66	47.36	13,26,748	49.05	52.64	25,20,492	26.45
2008-09	13,44,856	4.31	45.78	15,92,579	20.04	54.22	29,37,435	16.54
2009-10	14,02,807	7.69	47.10	15,75,476	-1.07	52.90	29,78,283	1.39
2010-11	13,37,064	-7.14	50.65	13,02,328	-13.33	49.35	26,39,392	-10.34
2011-12	12,78,234	-7.69	54.18	10,80,651	-23.07	45.81	23,58,885	11.53
2012-13	11,72,983	-8.23	55.2	9,49,774	-12.11	44.80	21,22,757	-10.01
2013-14	11,95,916	1.95	54.64	9,92,584	4.50	45.35	21,88,500	3.09
CAGR	7.94			8.54			12.43	
G	7.64			25.90			11.72	
CV	0.34			0.70			0.47	

The calculated value of t-test = -1.10 not significant at 5 per cent level of significance.

Source: Compiled from various Annual Reports of IRDA.

Table 2: Agents' Turnover Ratio of Life Insurers Operating In India

Year	Sector		Life insurance industry
	Public	Private	
2006-07	14.05	39.72	20.73
2007-08	13.07	37.78	24.11
2008-09	16.30	51.08	34.61
2009-10	18.93	40.34	30.54
2010-11	26.52	42.44	34.94
2011-12	30.27	45.29	37.68
2012-13	30.28	37.56	33.45
2013-14	26.89	35.06	30.57

Source: Computed from data given in Various Annual Reports of IRDA

Note: Agents' Turnover Ratio= (Total agents left÷ Average number of agents) ×100

Average number of agents=opening + closing number of agents for that particular year÷2

Sector-wise in 2006-07 the agents' turnover ratio in LIC was 14.05 per cent which was lower than industry. In 2007-08, it declined to 13.07 per cent. After that the agent turnover ratio in LIC was continuously increasing up to 2012 -13 and reached to 30.28 per cent in 2012-13. In 2013-14, it declined to 26.89 per cent. On the other hand private sector was facing a very high turnover ratio as compared to LIC. In 2006-07 the turnover ratio in private sector was 39.72 per cent which was very high as compared to LIC and even industry. In 2008-09 the turnover ratio reached 51.09 per cent. It declined to 40.34 per cent in 2009-10 and again rose to 45.29 in 2011-12. After 2011-12 it was continuously declining and reached 35.06 per cent in 2013-14. The analysis clearly showed that the agents' turnover ratio of LIC was lesser than the industry as a whole whereas the turnover ratio of private sector insurers was more than the turnover ratio of industry. This means that the public sector insurance company was able to retain more agents than private sector. However, a very high ratio experienced during the last four years need to be analyzed by LIC. Since in life insurance industry huge amount is spent on recruitment, selection and training of agents by the life insurance companies, a high agents' turnover ratio is not a good sign for life insurance industry.

Geographical Distribution of Individual Agents

An attempt has been made in Table 3 to study the sector-wise distribution of individual agents across different states of India.

Table 3 reveals that in 2006-07, the total number of agents in life insurance industry was 1993199 out of which 55.34 per cent procured business for public sector and the rest procured business for private sector. The eight states of the country (Andhra Pradesh, Gujarat, Karnataka, Kerala, Maharashtra, Tamil Nadu, Uttar Pradesh and West Bengal) were having 62.87 per cent of the individual agents working in the country. In contrast in 2013-14, the total number of agents in life insurance industry increased to 2188500 out of which 54.65 per cent procured business for public sector and 45.35 per cent worked for private sector life insurers. The share of above mentioned states in total number of individual agents marginally declined to 62.18 per cent in 2013-14. Sector-wise, 64.64 per cent and 58.31 per cent of the individual agents of LIC and private sector

life insurer respectively were working in these 8 states of the country in 2006-07. However in 2013-14, the public sector and private sector life insurers had 65.31 per cent and 58.40 per cent of the agents respectively working in these 8 states.

On the other end of the distribution we found that both LIC and private sector life insurers had neglected the seven north-eastern states of the country (Manipur, Meghalaya, Mizoram, Sikkim, Nagaland, Arunachal Pradesh, and Tripura) during 2006-07 and 2013-14. However, among the north-eastern states, the state of Assam is the only state which had 2 per cent and 3 per cent of the agents of public and private sector in 2006-07 and 2 per cent of the agents of both public sector and private sector in 2013-14. The public and private sector had also ignored the states like Jammu and Kashmir and Chhattisgarh as approximately 1 per cent of the agents of both public and private sector were working in these states during 2006-07 and 2013-14. The geographical distribution of individual agents in the country is also shown through map. During 2006-07, the inter-state variation of number of individual agents is very high (more than 1.00) in case of both public and private sector. During 2013-14, the inter-state variation of number of individual agents in public sector was although high (0.98) but low as compared to private sector (1.08).

Performance of Agents

The performance of individual agents is assessed by the average number of life insurance policies sold by them to the customers. It is important because the performance of life insurance industry is highly based on the performance of individual agents who are a major source in negotiating life insurance business. To see the performance of agents for different years, average number of policies per agent have been calculated and are given in Table 4.

The table reveals that during the initial year of the study (2001-02), the number of policies per agent was 49. After 2001-02, the number of policies per agent declined up to 2003-04 and reached to 18 policies per agent in 2003-04. The number of policies per agent again rose to 54 in 2004-05. After 2004-05, number of policies per agent declined up to 2008-09 and reached to 17 during 2008-09. After 2008-09, number of policies per agent again rose

Table 3: Geographical Distribution of Individual Agents of Life Insurers Operating In India

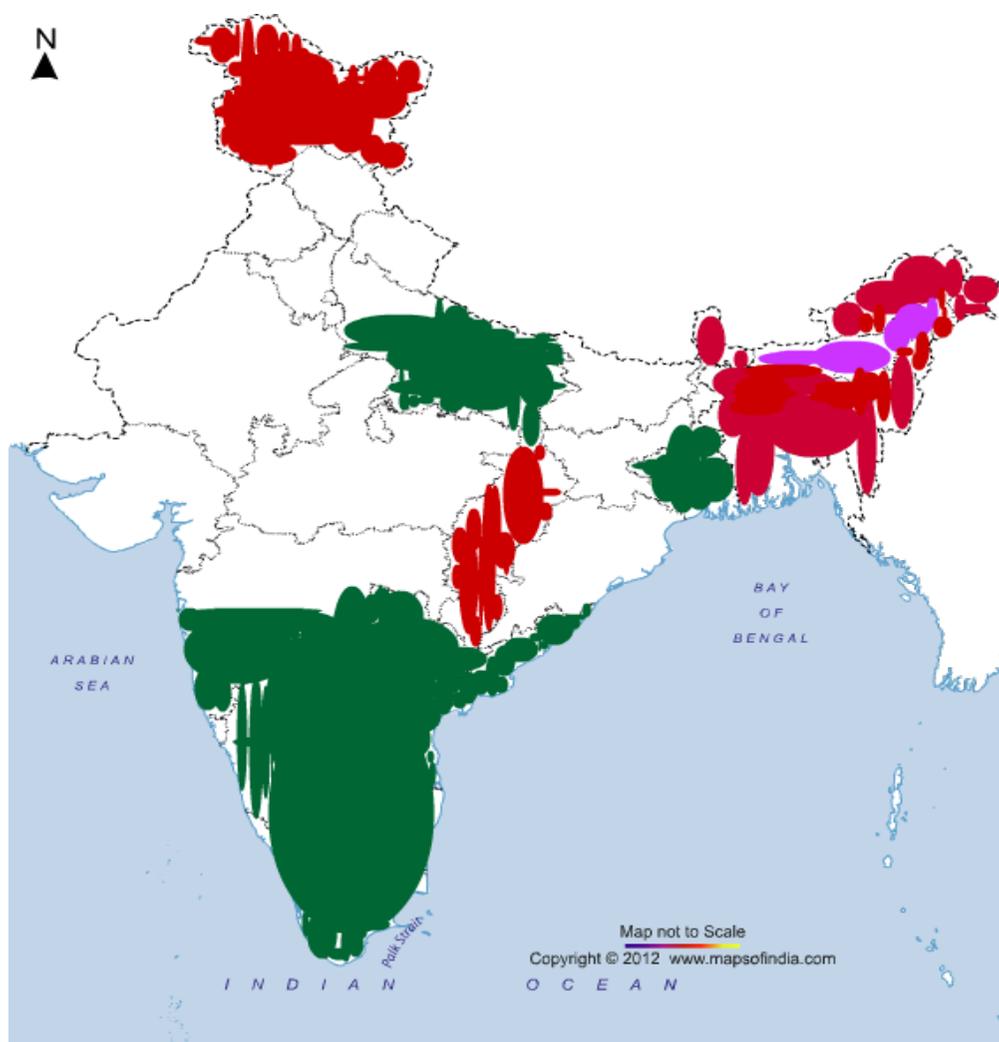
States/UT	As on 31 st March 2007			As on 31 st March 2014		
	Sector			Sector		
	Public	Private	Total	Public	Private	Total
Andhra Pradesh	100314 (9.09)	77344 (8.69)	177658(8.91)	87449 (7.31)	73803 (7.43)	161252(7.36)
Arunachal Pradesh	383 (0.03)	06 (0.00)	389(0.02)	373(0.03)	824 (0.08)	1197(0.05)
Assam	38215(3.46)	25325(2.85)	63540 (3.19)	28350 (2.37)	27244 (2.74)	55594(2.54)
Bihar	58983(5.35)	31157 (3.50)	90140(4.52)	54446 (4.55)	60890(6.13)	115336(5.27)
Chattisgarh	17725(1.61)	7906 (0.89)	25631(1.29)	11125 (0.93)	14723 (1.48)	25848(1.18)
Goa	3379 (0.31)	1672 (0.19)	5051 (0.25)	4206 (0.35)	3695 (0.37)	7901(0.66)
Gujarat	53800(4.88)	64282 (7.22)	118082(5.92)	62009 (5.18)	60448 (6.08)	122457(5.59)
Haryana	16724(1.52)	18808 (2.11)	35532(1.78)	21248 (1.77)	34107 (3.43)	55355(2.52)
Himachal Pradesh	8290 (0.75)	3731 (0.42)	12021(0.60)	12025 (1.00)	9884 (0.99)	21909(1.00)
Jammu Kashmir	6506 (0.59)	6752 (0.76)	13258(0.68)	5448 (0.45)	7492 (0.75)	12940(0.59)
Jharkhand	24387(2.21)	19899 (2.24)	44286 (2.22)	17411 (1.45)	30085 (3.03)	47496(2.17)
Karnataka	67749(6.14)	43298 (4.86)	111047(5.57)	70682 (5.91)	41084 (4.13)	111766(5.10)
Kerala	49478(4.49)	60649 (6.81)	110127(5.53)	53808 (4.49)	51195 (5.15)	105003(4.79)
Madhya Pradesh	45954(4.17)	40461 (4.55)	86415(4.34)	48120 (4.02)	41680 (4.19)	89800(4.10)
Maharashtra	124471(11.28)	85171 (9.57)	209642(10.52)	175614(14.68)	108566(10.93)	284180(12.98)
Manipur	1446 (0.13)	0 (0.00)	1446(0.07)	1189 (0.09)	1930 (0.19)	3119(0.14)

Meghalaya	603(0.05)	2121 (0.24)	2724(0.14)	242 (0.02)	1290 (0.12)	1532(0.07)
Mizoram	291 (0.02)	0 (0.00)	291(0.01)	319 (0.02)	796 (0.08)	1115(0.05)
Nagaland	663 (0.05)	599(0.07)	1262(0.06)	770 (0.06)	856 (0.08)	1626(0.07)
Orissa	33377(3.03)	38457 (4.32)	71834(3.60)	33533 (2.80)	44121 (4.44)	77654(3.54)
Punjab	19953(1.87)	46279 (5.20)	65232(3.27)	39909 (3.33)	32586 (3.28)	72495(3.31)
Rajasthan	51071(4.63)	39699 (4.46)	90770(4.55)	73842 (6.17)	39536 (3.98)	113378(5.18)
Sikkim	612 (0.05)	1535 (0.17)	2147(0.11)	723 (0.06)	962 (0.09)	1685(0.08)
Tamil Nadu	81331(7.37)	58178 (6.54)	139509(7.00)	84607 (7.07)	64388 (6.48)	148995(6.81)
Tripura	1446 (0.13)	939(0.11)	2385(0.12)	3760 (0.31)	4184 (0.42)	7944(0.36)
Uttar Pradesh	132832(12.04)	97522 (10.96)	230354(11.56)	133904(11.19)	116351(11.72)	250255(11.43)
Uttrakhand	14966(1.36)	5146 (0.58)	20112(1.01)	13789 (1.15)	10064 (1.01)	23853(1.08)
West Bengal	103163(9.35)	53415 (6.00)	156578(7.86)	113357(9.47)	64392 (6.48)	177749(8.12)
C.V.	1.04	1.03	0.99	1.08	0.98	1.00
Union Territories	45935(4.10)	59801 (6.69)	105736(5.31)	43658 (3.65)	45408 (4.57)	89066(4.06)
Total	1103047(100)	890152(100)	1993199	11,95,916(100)	9,92,584(100)	21,88,500(100)

Source: Computed from data in Various Annual Reports of IRDA

The figures in parenthesis denote percentage share of state in Industry

MAP REPRESENTING GEOGRAPHICAL DISTRIBUTION OF INDIVIDUAL AGENTS IN INDIA



Green area of map represents dominant states of the country having maximum number of agents

Red area of map represents neglected northeastern states of the country (approximately 1 per cent of the total agents)

Purple area of the map represents the northeastern state having more than 2 per cent of the total agents

Table 4: Performance of Public and Private Sector Life Insurers in India In Terms Of Number of Policies Issued Per Agent

Year	Sector						Total Life Insurance Industry		
	Public			Private			Number of Agents	Number of policies	Number of policies per Agent
	Number of Agents	Number of policies	Number of policies per Agent	Number of Agents	Number of policies	Number of policies per Agent			
2001-02	4,42,680	2,24,91,114	51	34,222	7,67,535	22	4,76,902	2,32,58,649	49
2002-03	9,47,405	2,45,45,580	26	91,397	8,25,094	09	10,38,802	2,53,70,674	24
2003-04	13,41,597	2,69,68,069	20	2,15,220	1658847	08	15,56,817	2,86,26,916	18
2004-05	3,53,634	2,39,78,123	68	1,27,616	22,33,075	17	4,81,250	2,62,11,198	54
2005-06	4,72,002	3,15,90,707	67	2,49,478	38,71,410	15	7,21,480	3,54,62,117	49
2006-07	11,03,047	3,82,29,292	35	8,90,152	79,22,274	09	19,93,199	4,61,51,566	23
2007-08	11,93,744	3,76,12,599	31	13,26,748	1,32,61,558	10	25,20,492	5,08,74,157	20
2008-09	13,44,856	3,59,12,667	27	15,92,579	1,50,10,710	9	29,37,435	5,09,23,377	17
2009-10	14,02,807	3,88,63,000	28	15,75,476	1,43,62,000	9	29,78,283	5,32,25,000	18
2010-11	13,37,064	3,70,38,000	27	13,02,328	1,11,14,000	8	26,39,392	4,81,52,000	18
2011-12	12,78,234	3,57,51,000	28	10,80,651	84,42,000	13	23,58,885	44,19,30,000	19
2012-13	11,72,983	3,67,82,000	31	9,49,774	740,50,000	8	21,22,757	4,41,87,000	20
2013-14	11,95,916	3,45,12,000	29	9,92,584	63,60,000	6	21,88,500	4,08,72,000	19
C.V.			0.41			0.39			0.49

The calculated value of t-test =5.51 significant at 5 per cent level of significance.

Source: Computed from data given in Various Annual Reports of IRDA

to 18 and remained at the same level up to 2010-11. After 2010-11, it rose to 20 in 2012-13. During 2013-14, the number of policies per agent marginally declined to 19. Sector-wise the number of policies per agent in LIC declined up to 2003-04 and reached to 20 in 2003-04 from 51 in 2001-02. Again during 2004-05, policies per agent rose to 68. After 2004-05 it was declining continuously and reached to 29 policies per agent in 2013-14. Similarly in case of private sector the policies per agent were 22 during 2001-02 which sharply declined during the period of study and reached to 6 during 2013-14. The Coefficient of variation stood at 0.41 per cent and 0.39 per cent for LIC and private life insurers respectively which showed that inter-year variation in life insurance policies negotiated per agent was more in case public sector insurer (LIC) than that of the private sector life insurers, showing more consistency in the latter. The null hypothesis that there is no significant difference in the performance of agents of public and private sector stands rejected at 5 per cent level of significance ($t = 5.51$).

Performance of Other Life Insurance Intermediaries

Traditionally, LIC used to sell its individual new business policies through its agents directly. However, after privatization many new distribution channels, namely corporate agents, banks, brokers and referrals etc. were added to sell individual new business policies. The data on channel-wise new individual life insurance business over years have been placed in Table 5.

Table 5 reveals that in case of individual new business, 95.32 per cent of total individual new business in terms of premium was contributed by individual agents during 2003-04. The contribution of agents in individual new business premiums of life insurance industry was continuously decreasing and reached 77.53 per cent in 2013-14. It was because of emergence of other popular channels of distribution like banks, corporate agents, brokers, referrals and direct selling. In case of LIC, the contribution of agents stood at 99.78 per

cent in 2003-04 which declined to 95.99 per cent in 2013-14. In 2003-04 the contribution of other channels in new business was 0.22 per cent which rose to 4.01 per cent in 2013-14. It showed that the contribution of other channels of distribution in procuring new business premium was increasing at very slow speed in LIC. The contribution of individual agents in case of private life insurers stood at 60.39 per cent in 2003-04. There was a big contribution (39.61 per cent) of other channels in procuring new business premium for private insurers in 2003-04. In 2003-04, a big part of business (14.37 per cent) was procured through direct selling by private players. In case of private players, the contribution of other channels showed a fluctuating trend and in 2013-14, their contribution reached to 59.92 per cent. Out of this 43.62 per cent of the individual business was procured through banks. It was noticed that in case of LIC's individual new business, agents remained most important while in case of private life insurers, banks and direct selling along with individual agents played a significant role.

Since many questions have not been answered by the secondary data, the answers to these questions have been received through the primary data collected from 200 respondents. These questions relate to effectiveness of various channels of distribution of life insurance and incentives given to life insurance intermediaries for better performance.

Effectiveness of Channels of Distribution

The life insurance policies are negotiated through various channels such as individual insurance agents, insurance brokers, online insurance, banc assurance and referrals. Therefore respondents were asked to give their opinion regarding effectiveness of various channels of distribution on likert scale. The responses of the respondents are presented in Table 6.

Table 5: Individual New Business Performance of Life Insurance Intermediaries
(Figures are in per cent of first year Premium)

Year	Sector												Total Life Insurance Industry					
	Public						Private											
	Individual agents	bank	others	broker	direct selling	referral	Individual agents	bank	others	broker	direct selling	referral	Individual agents	bank	others	broker	direct selling	referral
2003-04	99.78	0.11	0.09	0.02	0.00	0.00	60.39	10.57	6.86	0.31	14.37	7.50	95.32	1.30	0.86	0.05	1.63	0.85
2004-05	98.79	0.87	0.3	0.04	0.00	0.00	59.30	15.42	7.75	1.23	10.05	6.25	88.62	4.61	2.21	0.35	2.58	1.60
2005-06	98.37	1.25	0.32	0.06	0.00	0.00	59.71	16.87	8.92	0.83	6.61	7.06	85.67	6.38	3.15	0.31	2.17	2.32
2006-07	97.28	1.24	0.9	0.34	0.00	0.24	65.80	16.58	8.41	1.05	1.39	6.77	88.62	5.46	2.96	0.54	0.38	2.04
2007-08	98.36	1.3	0.29	0.05	0.00	0.00	59.81	18.89	11.03	1.50	8.77	7.79	72.17	7.28	3.74	0.61	16.20	2.51
2008-09	97.34	1.7	0.49	0.47	0.00	0.03	54.94	20.78	10.92	2.00	11.36	9.27	79.57	9.69	4.86	1.11	4.76	3.90
2009-10	97.75	1.64	0.52	0.09	0.00	0.18	50.67	24.88	10.28	3.44	10.73	7.95	79.61	10.60	4.28	1.38	4.13	3.13
2010-11	97.45	1.81	0.59	0.04	0.11	0.23	46.89	33.21	8.70	4.77	6.43	2.34	78.95	13.30	3.56	1.77	2.42	1.01
2011-12	96.56	2.57	0.22	0.04	0.61	0.00	44.05	39.01	7.52	5.07	4.35	0.16	78.69	14.96	2.70	1.75	1.90	0.05
2012-13	95.86	3.16	0.15	0.02	0.82	0.00	39.68	43.08	6.04	5.05	6.14	0.10	77.53	16.18	2.07	1.66	2.55	0.03
2013-14	95.99	2.77	0.10	0.02	1.12	0.00	40.08	43.62	4.00	4.91	7.38	0.10	78.40	15.62	1.33	1.56	3.09	0.03

Source: Computed from data given in Various Annual Reports of IRDA, IRDA Journals pertaining to period 2001-02 to 20013-14. Others include any entity other than banks but licensed as a corporate agent.

Table 6: Effectiveness of Channels of Distribution
N=200

Channels of distribution	Responses of respondents				
	Highly Effective	Effective	Neither Effective Nor In Effective	Ineffective	Highly Ineffective
Individual Insurance agent	53 (26.50)	102 (51.00)	24 (12.00)	13 (6.50)	8 (4.00)
Insurance Brokers	12 (6.00)	99 (49.50)	41 (20.50)	26 (13.00)	22 (11.00)
Online insurance	34 (17.00)	109 (54.50)	27 (13.50)	18 (9.00)	12 (6.00)
Banc assurance	14 (7.00)	109 (54.50)	40 (20.00)	20 (10.00)	17 (8.50)
Referrals	5 (2.50)	36 (18.00)	52 (26.00)	64 (32.00)	43 (21.50)

Source: Primary Survey
Figures in parenthesis are percentages

The table reveals that 77.50 per cent of the respondents opine that individual insurance agent is an effective channel of distribution, which is followed by those who consider online insurance (71.50 per cent) as an effective channel of distribution. Banc assurance (61.50 per cent) and insurance brokers (55.50 per cent) are also effective.

Table 7: Weighted Average Scores Representing Effectiveness of Channels of Distribution
N=200

Channels of distribution	Experience Categories of Respondents			Sector		Total 200 Respondents
	E ₁ 34 Respondents	E ₂ 59 Respondents	E ₃ 107 Respondents	Public 100 Respondents	Private 100 Respondents	
Individual Insurance agent	1.2600	0.9830	0.7289	0.8700	0.9200	0.8950
Insurance Brokers	0.5294	0.4576	0.074	0.3000	0.2300	0.2650
Online insurance	0.5294	0.5423	0.7943	0.7300	0.6200	0.6750
Banc assurance	0.1176	0.5593	0.4299	0.3100	0.5200	0.4150
Referrals	0.2352	-0.1186	-0.9813	-0.6900	-0.3500	-0.5200

Source: Primary Survey

Note: E₁ consists of respondents having 1-3 years' experience, E₂ consists of respondents having 3-5 years' experience and E₃ consists of respondents having 5 years and more experience group.

Kendall Coefficient of Concordance (W) =0.6723 not significant at 5 per cent level of significance.

Kendall Tau Coefficient (τ) =1.000 significant at 5 per cent level of significance.

However, more than half of the respondents (53.50 per cent) have considered referrals as ineffective.

The weighted average scores have been calculated by assigning weights as +2, for highly effective, +1 for effective, 0 for neither effective nor ineffective, -1 for ineffective and -2 for highly ineffective. These scores are given in Table 7.

The weighted average scores reveal that in experience categories E₁ and E₂ individual insurance agents and in experience category E₃ online insurance is the most effective channel of distribution. According to E₁ category, insurance brokers (0.5294) and online insurance (0.5294) are other effective channels while in E₂ category banc assurance (0.5593) and online insurance (0.5423) are found to be other effective channels of distribution. According to respondents in E₃ category, individual insurance agents (0.7289) and banc assurance (0.4299) are also effective. Referrals are considered ineffective in E₂ and E₃ categories and less effective in E₁ category. The Kendall Coefficient of Concordance (W=0.6723) suggests that there is no significant concurrence of rankings exist among the respondents of various experience categories on effectiveness of channels of distribution. Thus the null hypothesis (Ho) is accepted at 5 per cent level of significance.

Sector-wise, the weighted average scores reveal that individual insurance agents are the most effective channel of distribution in both public and private sector followed by online insurance, banc assurance and insurance brokers. Referrals are considered ineffective in both public and private sector. The Kendall Tau Coefficient (τ=1.000) suggests that there is significant agreement exists between public and private sector respondents on effectiveness of channels of distribution. Thus the null hypothesis (Ho) is rejected at 5 per cent level of significance.

Incentives to Agents

The respondents were also asked to give their opinion on the incentives they get for better performance; their responses are contained in Table 8.

Table 8 reveals that 96 per cent of the respondents have opined that they get incentive for better performance. In the public sector 95 per cent of respondents get incentive for better performance while in the private sector 97 per cent of respondents get incentives for better performance. The result of chi-square reveals that there is no significant opinion difference exists between public and private sector respondents. Thus the null hypothesis (Ho) is accepted at 5 per cent level of significance.

Table 8: Whether Respondents Incentives for better performance is given in Life Insurance Sector

Nature of Incentives	Sector		Total
	Public	Private	
Yes	95.00 (95.00)	97.00 (97.00)	192 (96.00)
No	5.00 (5.00)	3.00 (3.00)	8.00 (4.00)
Total	100 (100)	100 (100)	200 (100)

Calculated value of Chi-square=0.52 insignificant at 5 per cent level of significance

The respondents also enlisted three major incentives that are given for better performance. The responses on three major incentives are placed in Table 9.

Table 9 reveals that most important incentives in life insurance industry are gifts (67.50%) followed by vehicle and its expenditure (33.00%) and domestic and foreign tours (20.50%). Further, irrespective of experience category (88.23 per cent in E₁, 94.91 per cent in E₂

Table 9: Respondents' Opinion Regarding Nature of Incentives Given by Life Insurers for Better Performance
N=200

Nature of Incentives	Experience Categories of Respondents			Sector		Total 200 Respondents
	E ₁ 34 Respondents	E ₂ 59 Respondents	E ₃ 107 Respondents	Public 100 Respondents	Private 100 Respondents	
Gifts	30 (88.23)	56 (94.91)	49 (45.79)	85 (85.00)	50 (50.00)	135 (67.50)
vehicle and its expenditure	29 (85.21)	19 (32.20)	18 (16.82)	10 (10.00)	56 (56.00)	66 (33.00)
domestic and foreign tours	10 (29.41)	12 (20.33)	19 (17.75)	20 (20.00)	21 (21.00)	41 (20.50)

Source: Primary Survey

Note: E₁ consists of respondents having 1-3 years' experience, E₂ consists of respondents having 3-5 years' experience and E₃ consists of respondents having 5 years and more experience group

Percentages are more than hundred because of multiple choices.

and 45.79 per cent in E₃ category) gifts are the most important incentive given to the respondents for better performance. The next important incentive for respondents in categories E₁ (85.21 per cent) and E₂ category (32.20 per cent) is vehicle and its expenditure. However, for the respondents in E₃ category another important incentive after gifts is domestic and foreign tours (17.75 per cent).

Sector-wise, the most important incentives in public sector are gifts (85.00%) followed by domestic and foreign tours (20.00%) and vehicle and its expenditure (10.00%). However, in the private sector the most important incentive is vehicle and its expenditure (56.00%) followed by gifts (50.00%) and domestic and foreign tours (21.00%).

Conclusion and Suggestions

On the basis of above discussion it is concluded that the private sector registered a much higher growth rate in terms of number of agents during the period of the study. However, inter-year variation of number of individual agents was also more in case of private life insurers as compared to LIC. Moreover private sector registered higher agents' turnover ratio than that of public sector. It is therefore suggested that private sector life insurers should try to retain their experienced sales force with them for a longer period of time by identifying the main causes of their shift. It is also concluded that more than 60 per cent of the agents of life insurance industry were working in 8 states namely Andhra Pradesh, Gujarat, Karnataka, Kerala, Maharashtra, Tamil Nadu, Uttar Pradesh and West Bengal. The states like Jammu and Kashmir, Chhattisgarh and north-eastern states of the country were neglected by life insurers. Therefore it is suggested that the efforts should be made by both sectors of the industry to expand in the neglected states by recruiting more marketing functionaries in these states. Further, the inter-year variation in number of policies per agent was found to be more in case public sector insurer (LIC) than that of the private sector life insurers, showing more consistency in the latter. It was found that in LIC's individual new business, agents remained most important while in case of private life insurers, banks and direct selling also played significant role along with individual agents. It is therefore suggested that the public sector life insurer should also take more help from other channels to enhance its business.

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