Agents' Service in Life Insurance: A Study in Kerala

Dr. Mugesh P,

Assistant Professor,
Department of Commerce,
AMC Group of Educational Institutions,
Manissery, Kerala, India.

ABSTRACT

Life insurance is an agent based business in India and the success of life insurers depends upon how well the agents' service is effective. The study is an attempt to measure and evaluate the agents' service among selected insurers and also compares the performance of life insurance agents among private and public sector on the basis of policy holders' perception. The quality of life insurance agents' service in public sector is found to be significantly higher than that of private life insurance agents. The results also revealed a significant difference in perception on agents' service of male and female customers. A significant difference was also found in the perception of male and female policy holders on agents' service. Perception of traditional policy holders on agents' service is significantly higher than that of policyholders who purchased market based policies.

Keywords: Life Insurance, LIC, Service Quality, Agents' service.

INTRODUCTION:

Insurance is a special type of business where the insurers accept the risk of clients holding the money in the thrust of policy holders. Insurance delivers a number of economic functions that are largely unique from other types of financial intermediaries. Indian life insurance was a monopoly of Life Insurance Corporation of India (LIC) for a long period (since 1956). LIC was the only life insurance company engaged in soliciting and selling of life insurance in India. A major milestone in Indian financial arena was the opening of life insurance business to private sector. Now the sector is opened for private players and there are twenty three private life insurers in India. Private players are trying to capture the market dominated by public sector. Life insurance business is an agent based business. Insurance agents provide services to insurance companies to market the life insurance products. They provide services to the policy holder like insurance advice, timely information, processing of documentation, remitting of life insurance premium, etc. Insurance products are marketed through different intermediaries is India. Individual agents, corporate agents, brokers and direct selling are the modes of selling life insurance. Corporate agents are of two types: banks and others. Others include any entities other than banks but licensed as corporate agents. In this study, policy holders who bought life insurance through individual agents are considered and quality of individual agents' services to policyholders is evaluated.

REVIEW OF LITERATURE:

Howe, Hoffman & Hardigree, (1994), studied the relationship between the ethical behaviour and customer orientation of life insurance agents. The study is conducted among 1200 respondents in a western state of US and found that customer oriented agents are engaged in less unethical behaviour and sales oriented agents engaged in high levels of unethical behaviour. Higher levels of insurance premium are found among those agents who engage in unethical sales behaviour. Joseph, Stone & Anderson, (2002) examines a model to assess the determinants of customer loyalty. The model is based on the agents' ability to deliver the attributes related to service quality. The outcomes revealed that respondents believed that their agents performing at an above average level. The study suggests the need for personal relationship with the customers. Customers expects their agents do handle their

claim settlement process and if not the agent should closely monitor the claim settlement process. Das, (2004), in an article says that the tremendous success of LIC is of course on account of the efforts of life insurance agents who brings new business to LIC. According to the author the high degree of lapsation of policies is because of unrealistic sales, non.-need based selling, faculty recruitment system and deficient after sales service. Sinha, Jaiswal & Pal, (2011) are the research team behind a report of National Council of Applied Economic Research sponsored by IRDA. The report involves detailed study of Indian Insurance sector. The reports says that according to the customer feedback level of insurance penetration is still low compared to many other countries due to three major reasons: lengthy documents that are not user friendly, Agents inability to explain the features of the products; and the perception that agents are only concerned with their commissions. The study also proved that insurance agents are the most important source of information for both insured and uninsured households. Mandic, Feldman & Graven, (2013), studied the influence of insurance agents/brokers and health insurance decisions of small firms. The authors found that small firms are more competitive and broker/agent markets are more likely to offer insurance at lower rates. Moreover, premiums are less dispersed in more competitive broker/agent markets. Imam (2013), opines that about 20 percent of the agents recruited leave/ or fail certification after initial training without selling a single policy. According to the researcher, the sales person must be self-disciplined and well educated and must be empowered to revive the policy with a limited the sum assured. Saha & Dutta, (2015), after a study observed that customers refer insurance agents while buying a new life insurance policy. The authors opined that proper care should be taken regarding the appearance and grooming of the agents which is ignored in many cases. Agents are the persons with whom the customers have direct interaction and thus the agents have a big responsibility on their shoulder for generating customer perception on service quality.

RESEARCH METHODOLOGY:

The study is based on primary data collected from customers of selected life insurance companies. Data is collected using structured questionnaire. The questionnaire is divided into two parts. The first part asks the general profile of life insurance customers and the second part asks the questions related to agents' service in likert scale. Eighteen variables are used to measure agents' service. Sample size of the study is restricted to 510 using power analysis. Three districts representing south, central and north Kerala are selected (Trivandrum, Ernakulum and Calicut). The sample profile is shown in the table no.1. Customers of Life Insurance Corporation of India, Bajaj Alliance, HDFC Standard Life, ICICI Prudential and SBI Life are considered for the study

The variables used to measure agents' service are knowledge about the products, communication skills, help in the selection of life insurance product, accessibility of agents, trust, personality, physical appearance, timely service, patience to hear problem, service without commission intention, financial advisor, accuracy of information, updating on new products and service, never exaggerate policy details, service before and after purchase, reminder of premium due date , helps in recognizing the importance of insurance and financial security and never been a disturbance. Reliability of the questionnaire is tested using Cronbach's alpha and found to be highly reliable (0.995). The model developed to measure agents' service is tested with Structural Equation Model (SEM) using Confirmatory Factor Analysis (CFA). The result of CFA indicates that all the eighteen variables identified have significant impact in measuring agents' service. Normality is tested using Kolmogorov-Smirnov test and data found to be normal.

Measurement of Agents' Service:

The results of model testing (CFA) indicate that all the 18 variables have significant impact on evaluating agents' service. The responses on 18 variables on five point 'Likert's Scale' format are quantified by assigning codes. The responses are scored as 1 for 'Strongly Disagree', 2 for 'Disagree', 3 for 'Neutral', 4 for 'Agree' and 5 for 'Strongly agree'. Reverse order is followed in the case of negative questions. The total score of 18 statements for all 510 customers interviewed is found out. Based on these scores the researcher calculated the agents' service (Mean Percentage Score). Mean percentage score (MPS) ranging between 1 to 25 is considered as 'very poor service', MPS between 26 to 50 is considered as 'poor', MPS between 51 to 75 is treated as 'good service' and MPS ranging between 76 to 100 is considered as 'excellent service'.

From the table 2 it is evident that the mean percentage score of agents' service is 59.89 which belong to the group 'good'. Coefficient of variation (CV) is 16.79 which denote that the score is stable as the value is less than 20%. It is clear from the table that the test performed to know whether the sample information observed by the researcher exists in the population is significant (t=1.996, p=0.046) and thus can conclude that the agents' performance in delivering life insurance service is good; but not excellent.

Gender wise Comparison of Agents' Service:
Male and female policyholders' perception on life insurance agents' service is shown in the table 3. Mean percentage score of male customers is 59.37 and that of female customers is 61.65. These values clearly indicate that customer perception on agents' service is higher in female customers than that of male customers. Independent sample t-test is carried out to know whether there is significant difference in the customers' perception on agents' service among male and female customers. The result shows that there is significant difference in perception on agents' service of male and female customers (t= -2.162, p= 0.031)

Agents' Service and Nature of Policy Purchased:
Table 4 depicts that agents' service of customers who purchased traditional policies is higher (60.84) than that of customers who purchased market linked life insurance policies (53.62). Agents' service of customers who purchased both traditional and marked linked policies is 59.28. F-value for the ANOVA test, carried out to know whether there exist significant differences among the groups, is 14.072 with a p value less than 0.001 which indicates that there is significant difference.

Comparison of Agents' Service in Public and Private sector:
Services of life insurance agents have a significant role in deciding the policy holders' satisfaction. To know whether the agents of private and public sector life insurance in Kerala perform in a same manner or the public sector agents are more effective in delivering life insurance services than the private sector the following hypothesis is framed.
H_0 There is no significant difference in the agents' service of public and private sector insurers
H_1 There is significant difference in the agents' service of public and private sector insurers
To test this hypothesis an independent sample t-test is used. The results of the test are shown in the table 5. It is clear from the table that the agents' service is higher in the public sector (61.07) and the agents' service in private sector is 57.31. Coefficient of variation (CV) of public and private sector are 15.36 and 19.21 respectively which indicate that score is stable as the value is less than 20%. t-value of the test carried out is 3.979 with a p-value less than 0.001 which implies that there exists a significant difference in the agents' service between public sector and private sector life insurance companies. Thus the null hypothesis, "there is no significant difference in the agents' service in public and private sector insurance," is not accepted. The test confirmed that the agents' service of public sector is significantly higher than private sector.

Agents' Service among different Life Insurance companies:
 The following hypothesis was framed to compare the agents' service among different life insurance companies:
H_0 There is no significant difference in the agents' service of different life insurance companies
H_1 There is significant difference in the agents' service of different life insurance companies
The above hypothesis is tested to know whether there is significant difference in agents' service in five selected life insurance companies in Kerala. It is tested by one way ANOVA method. The result of the test is shown in the table 6. The table shows that agents of LIC outperformed (61.02) than the other life insurers in Kerala. The coefficient of variation is 15.42 which is stable. The least performance is marked by the agents of Bajaj Allianz (55.79). HDFC Standard holds the second position (59.34) followed by SBI Life (57.74) and ICICI Prudential (57.17). The coefficient of variation indicates more stability for LIC and ICICI Prudential as the values in both the cases are less than 20. There exists a within variation between the customers as far as Bajaj Allianz, HDFC Standard and SBI Life are concerned. ANOVA test generated F-value as 4.137 and p-value is less than 0.003. As the p- value is less than 0.05 the hypothesis "There is no significant difference in the agents' service of different life insurance companies" is not accepted. To identify the specific insurance companies that are significantly different in the agents' service, a 'Post Hoc' analysis test is carried out. 'Tukey HSD' method is used to perform the test. The result of post hoc multiple comparisons shows that the highest significant difference in agents' service is between LIC and Bajaj Allianz with a mean difference of 4.70526. The mean difference between LIC and ICICI Prudential (3.46738) is also found to be significant.

CONCLUSION:

The life insurance agents are having direct contact with the policyholders, their performance thus plays a significant role in the service delivery, and hence the success of life insurance business depends on how the agents work for the company. Agents can ensure better relation with the policyholders which will benefit the life insurers in different ways. The study discussed various factors that determine agents' service and found that all eighteen

factors have significant impact on measuring agents' service. Agents' service of LIC is better than the other life insurance agents. Since no companies including LIC are providing excellent agents' services there is lot of scope for improving life insurance agents' performance. Customers' expectation from agents is high and thus initiation to improve agents' services has to be taken. The study concludes that life insurance agents' service in Kerala is good, not excellent.

REFERENCES:

Das, S. S. (2004). Role of Agents in Competitive Regime, *The Journal*, January- June 2004

Howe, V., Hoffman, K, D., & Hardigree, D. W. (1994). The Relationship between Ethical and Customer-Oriented Service Provider Behaviors. *Journal of Business Ethics, 13*(7), 497-506.

Imam, A. (2013). *Corporate Product and Distribution Strategies in Indian Life Insurance Industry*, Ph.D Thesis submitted to Aligarh Muslim University, Aligarh

Joseph, M., Stone, G., & Anderson, K. (2002). Insurance Customers Assessment of Service Quality: A Critical Evaluation. *Journal of Small Business and Enterprise, 10*(1), 81-92.

Mandic, P. K., Feldman, R.,& Graven, P. (2013). *The Role of Agents and Brokers in the Market for Health Insurance,* Research Paper, December 2013, U.S. Census Bureau, Center for Economic Studies 2K132B, 4600 Silver Hill Road, Washington, DC 20233.

Saha, S.,& Dutta, A. (2015). Perception of Service quality in the Life Insurance Sector: A Case Study on North East India. *International Proceedings of Management and Economy IPEDR, 84*.

Sinha, A., Jaiswal, R., Pal, B. D.,& Shukla, K. (2011). *Pre-launch Report of Insurance Campaign Survey Awareness*, National Council of Applied Economic Research, Sponsored by IRDA.

Table 1: Sample Profile

Districts	Company Name					Total
	LIC	Bajaj Alliance	HDFC Standard	ICICI Prudential	SBI Life	
Trivandrum	117	11	9	20	13	170
Ernakulam	117	11	9	20	13	170
Calicut	117	11	9	20	13	170
Total	351	33	27	60	39	510

Table 2: Mean, Standard Deviation and t value for Agents' Service

Variable	N	Mean	Std. Deviation	Mean % score	CV	t	P value
Agents' Service	510	53.9	9.05	59.89	16.79	1.996	0.046

Source: Primary data and calculated

Table 3: Male and Female Policy Holders' Perception on Agents Service

Gender	Mean	Standard Deviation	Mean Percentage Score	t-value	p-value
Male	53.43	8.92	59.37	-2.162	0.031
Female	55.49	9.36	61.65		

Source: Primary data and calculated

Table 4: Agents Service: Comparison on the basis Nature of Policy

Nature of Policy Purchased	Mean	Standard Deviation	Mean Percentage Score	F-value	p-value
Traditional Policies	54.75	8.82	60.84%	14.072	<0.001
Market Linked Policies	48.25	9.15	53.62%		
Both	53.35	8.37	59.28%		

Source: Primary data and calculated

Table 5: Mean, Mean Percentage Score and t- value for Private and Public Sector

Company Type	Mean	Standard Deviation	Coefficient of Variation	Mean Percentage Score	t value	p value
Public Sector	54.96	8.44	15.36	61.07%	3.979	<0.001
Private Sector	51.58	9.91	19.21	57.31%		

Source: Primary data and calculated

Table 6: Mean, Mean Percentage Score and F- value for Different Life Insurers

Company	Mean	Standard Deviation	Coefficient of Variation	Mean Percentage Score	F value	p value
LIC	54.92	8.47	15.42	61.02%		
Bajaj Allianz	50.21	10.56	21.03	55.79%		
HDFC Standard	53.41	11.30	21.16	59.34%	4.137	0.003
ICICI Prudential	51.45	8.30	16.13	57.17%		
SBI Life	51.97	10.67	20.53	57.74%		

Source: Primary data and calculated