

A STUDY ON THE LIFE INSURANCE'S SALES FORCE PERSPECTIVE ON NEW GUIDELINES ISSUED BY IRDA ON JAN 2014

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Abstract

The major stake holders of Insurance Sector include the Insurance Regulatory Development Authority (IRDA). The IRDA monitors, regulates and develops the activities insurance in the country. In order to keep the industry healthy in terms of growth at the same time to ensure customer centricity IRDA with the change in the external environment brings in guidelines and directs the companies to act accordingly. Few guidelines issued by IRDA may have positive, negative or mixed reactions from the other stake holders of the sector. This paper focuses on understanding the perceptive of the sales force on the guidelines issued by IRDA in Jan 2014. The new guidelines stress on the following areas Transparency, Protection, Customer centricity, Long term focus.

Key words: Insurance, IRDA, External Environment, Guidelines, Transparency, Protection, Customer centricity, Long term focus.

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1. Introduction

Insurance can be defined as the guarantee of compensation for specified loss, damage, illness, or death in return for payment of a specified premium which is undertaken by a company. There are numerous insurance companies who are all regulated by the statutory autonomous body i.e. Insurance Regulatory and Development Authority (IRDA). IRDA was constituted by insurance regulatory & development authority act, 1999 as per the Malhotra committee report strongly recommending an independent regulatory authority which would regulate and develop the insurance sector in India.

The IRDA act also opened gates for private players to enter into the insurance sector which Life Insurance Cooperation (LIC) was earlier enjoying the monopoly over this sector. Over the years IRDA has been issuing guidelines for regulating and developing insurance sector. Life insurance in India has been a blooming sector and has seen a huge growth in the past decade but the policy holders have not gone through such good times as of insurance companies in India with difficulty in understanding policies, return of policy amount, agents commission to be few of them because of life insurance in India derailing from its traditional practice.

To bring life insurance back to its traditional practice focusing on long term and being customer protective as well as bringing change in sales practice Insurance Regulatory and Development Authority (IRDA) has issued new guidelines on January 2014. The new guidelines have raised concern in leading to the slowdown in the growth of insurance companies. The present paper will explore the insurance sales force perspective on new guidelines.

2. Literature Review

The Indian Life Insurance sector of India has expanded by many folds since 2000 especially after the liberalization of the sector i.e, after allowing the foreign and the private players into the sector by government of India and regulated by Insurance Regulatory Development Authority (IRDA). The sector has specifically expanded in its new business acquisition and premium collection say Dr. Naresh and RamDasMadhavi (2014). The researchers also feel that the growth of the insurance sector can be attributed to the sound economic fundamentals of the country, increasing middle class and timely intervention and regulation by IRDA. The increasing awareness of the risks associated with life is also a reason for the life insurance sector's robust growth.

The cost efficiency of the sector has shown upward trend says Dr., Ram Pratap Sinha and Biswajit Chaterjee in their research paper titled Are Indian life Insurance companies cost effective? The life insurance has got two important components a. Operative expenses b. commission expenses. Ruby Singh and Dr. Amith Gautham (2014) conclude their research work by stating that Indian Insurance Sector can grow at 125% provided 100% ownership for foreign companies. The upper ceiling for investment as of now is 26% in the insurance industry.

Post liberalization of the sector in India there are in excess of 23 companies and T Hymavathy (2013) in the search opines it's a remarkable growth and the indicator of the sector's positive development. The researcher also finds out that the current ratio of the sector is positive and good for the future of the sector. The innovative distribution channels for distribution of customized products based on ever changing customer needs has made the industry cope with the challenging economic environment and ever changing industry's environment and customer needs.

Dr. Arnika Srivastava and Dr. SarikaTripathi and Dr. Amith Kumar (2012) in their research paper titled Indian Life Insurance Challenging trends conclude that the insurance industry is backed by government guidelines and IRDA. IRDA in its IC 33 syllabus states that "the main role of government is to recommend to clients the right products that address the client's needs and the clients need should be evaluated with specific technique of evaluation".

The important skills set a financial advisor has to possess as per www.aspiringmind.com include selling skills, good interpersonal skills, communication skills, strong result orientation, trainability and sound domain knowledge.

3. Objectives

- 1) To understand the Role, Importance and Relevance of IRDA in the Insurance Industry of India.
- 2) To get introduced to the different channels of sales in Insurance Industry.
- 3) To analyze the sales force perspective on new guidelines issued by IRDA.

4. Research Methodology

Tools for data collection

The data collection for the research work was done using both the primary source and secondary source. The primary source for the research work was considered as the Sales Personnel of PNB Metlife Insurance India Co. Ltd, Mysore branch. The branch's sales force all consists of two channels namely the Agency Channel i.e, the channel which achieves sales by recruiting Financial Advisors and Bancassurance channel whose sales quota is completed by Channel Sales Officers. The secondary source consisted of websites, IRDA IC33 syllabus, books on insurance.

In order to attain the set objectives and to have a better knowledge of the insurance sector, IRDA, new guidelines issued by IRDA and specially the sales force perspective towards the new

guidelines a series of research paper was reviewed, a total of 6 research paper was then reviewed along with various IRDA guidelines, website,

The sample at PNB MetLife, Mysore included branch manager, sales managers, Bancassurance regional head, financial advisers were approached with a framed questionnaire which consisted 3 categories of question i.e. administrative, classificatory and objective oriented. The questions were framed in a manner which would facilitate the research study.

The questions used in the questionnaire were closed ended in nature. Respondents perspective to the various questions was collected on a 4 point scale (1- strongly agree 2 – Agree 3 Disagree 4- strongly disagree). the data thus collected is analyzed in the next section.

5. Limitations

The major limitation of this research paper is that the data collection for the work is confined only to PNB Metlife Mysore Branch only.

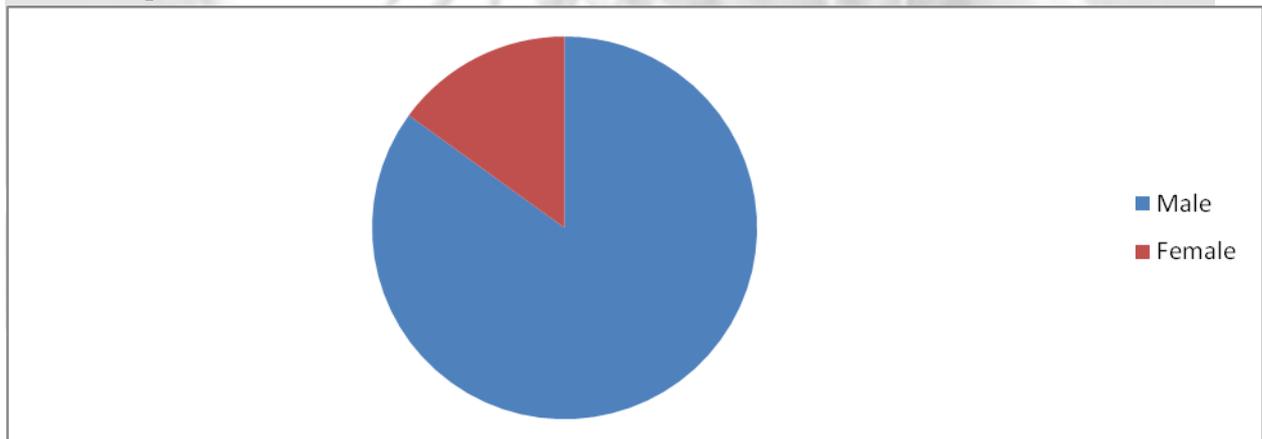
6. Findings and Analysis

Insurance sector in the country has mainly employed two channels for the distribution of its products. The first one is the agency channel, here the sales of the insurance products happen through the Financial Advisors (FA), and they are also called agents. A sales manager would be recruiting FAs after subjecting them for training and helping them to clear IC33 exam conducted by IRDA. The second channel for distribution includes the partnership with Banks. The Banks share the data of its customers and the insurance companies sell the products after a thorough need analysis.

Gender Composition

It was found through the part A questions of the questionnaire that the gender composition that the gender ratio is 85%: 15% favoring the Male. The following graph represents the same. It clearly states that the male employee is higher than the female employees in the sector. This is quite evident that the Male employees are higher in number when compared to the female employees.

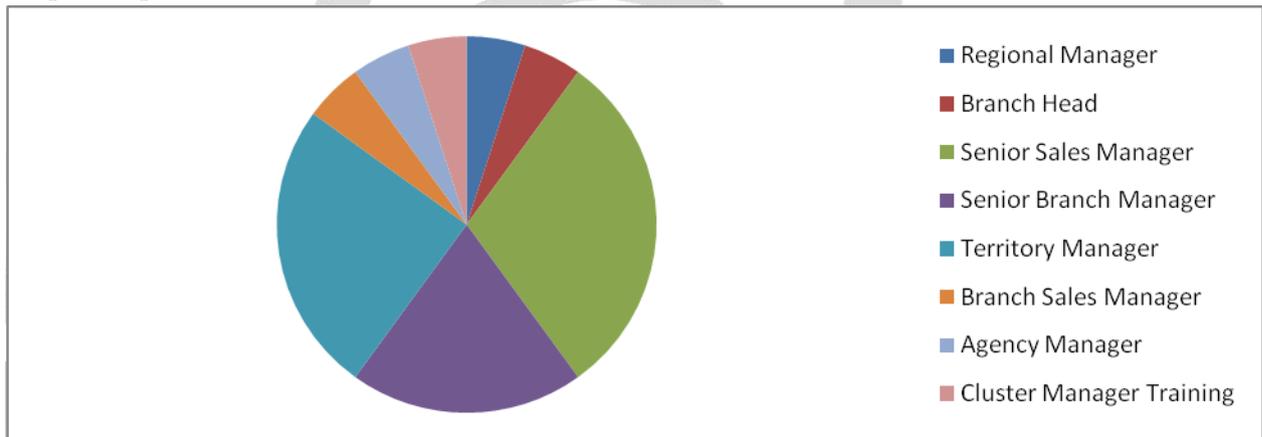
Graph 1.1



Composition of Designation

Table 1.1 represents the various designations the sample holds.

Graph 1.2 (pie chart)

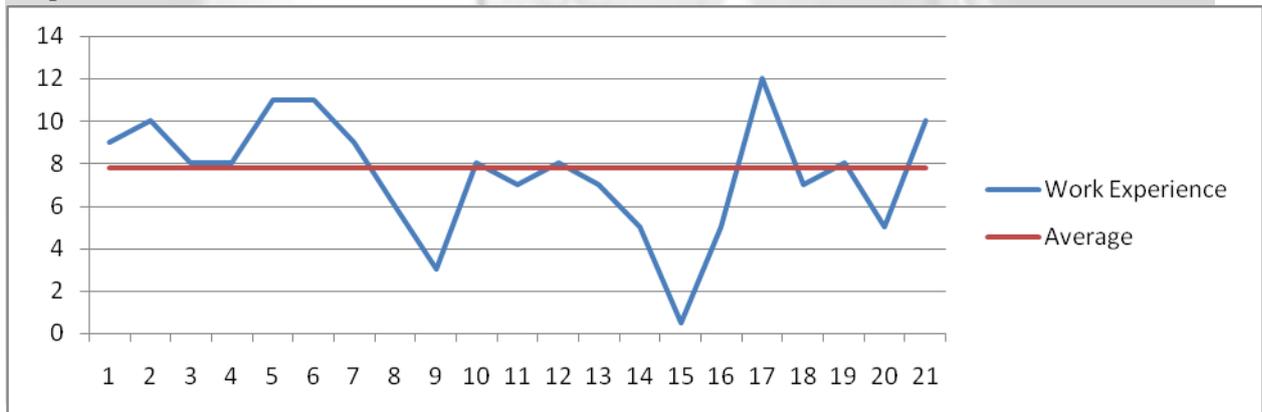


Like any other organization it is observed here also that as we go up the hierarchal level the number of employees holding a designation reduce. It is understood the employee designation chart appears like a pyramid.

Experience curve

Indian Insurance Industry took a rebirth in the year 2000 and it has been 14 years since the private and foreign players are operating in the sector. The average experience of the employees is around 7.8yrs and it's a good sign for any industry to have experienced employees as employees are the back bone of any industry.

Graph 1.3

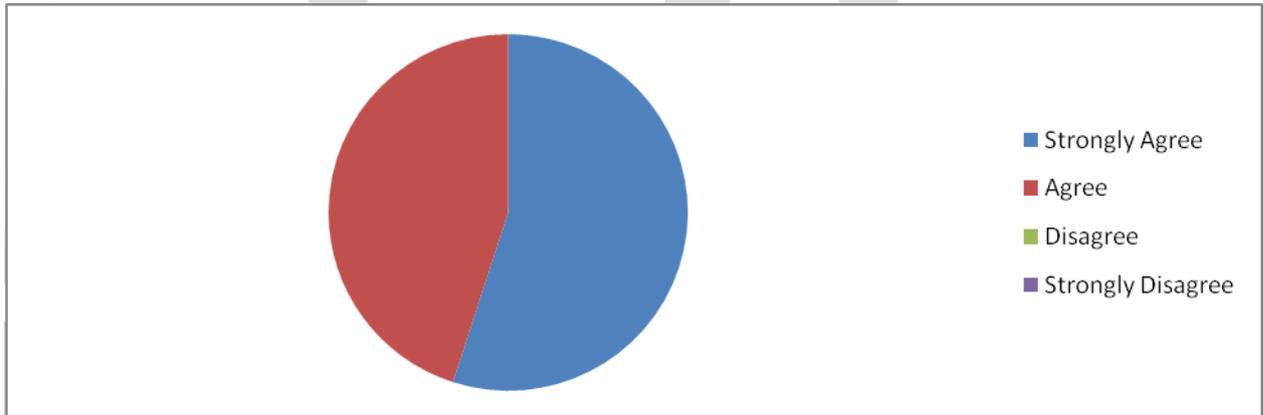


IRDA as a key player

The entire sample is in favor of this questions and 45% of them strongly agree with the preposition of IRDA being the key player in the insurance industry and remaining 55% of the sample agree that insurance sector's major stake holder is IRDA.

Acme Intellects

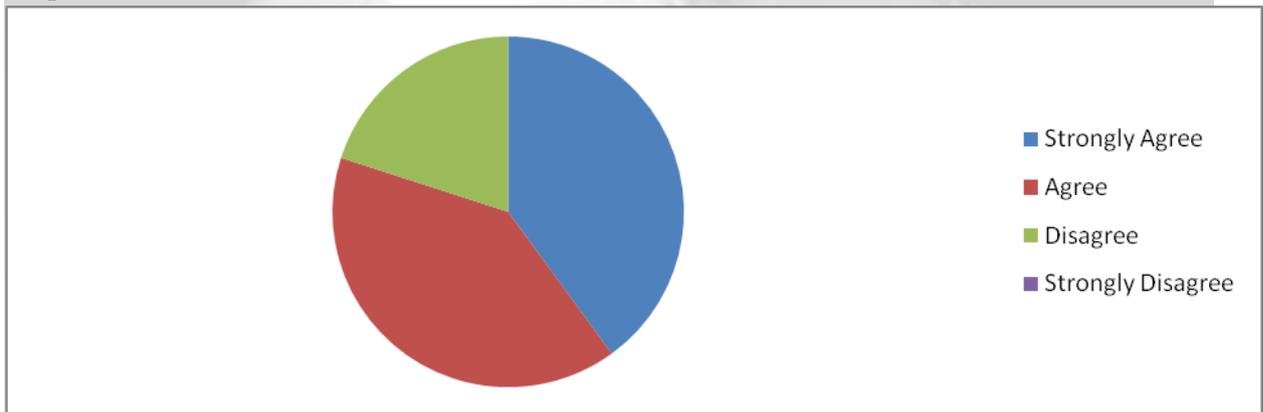
Graph 1.4



IRDA as an effective regulator

80% of the respondents agree to the fact that IRDA effectively regulates the insurance sector of the county whereas 20% of them feel IRDA is not all that strong when it comes to regulating the industry.

Graph 1.5



IRDA as the protector of the interest of the policy holders

It is strongly perceived by 50% of the respondents that IRDA is in favor of protecting the interest of the policy holders but 15% of the respondents feel it is not all that favoring to protect the interest of the policy holders.

Table 1.2

Strongly Agree	Agree	Disagree	Strongly Disagree
10	7	3	0

New guidelines and challenges in implementing

90% of the respondents agree that the implementation of new guidelines by IRDA is a challenging task and remaining 10% feel it can be easily implemented.

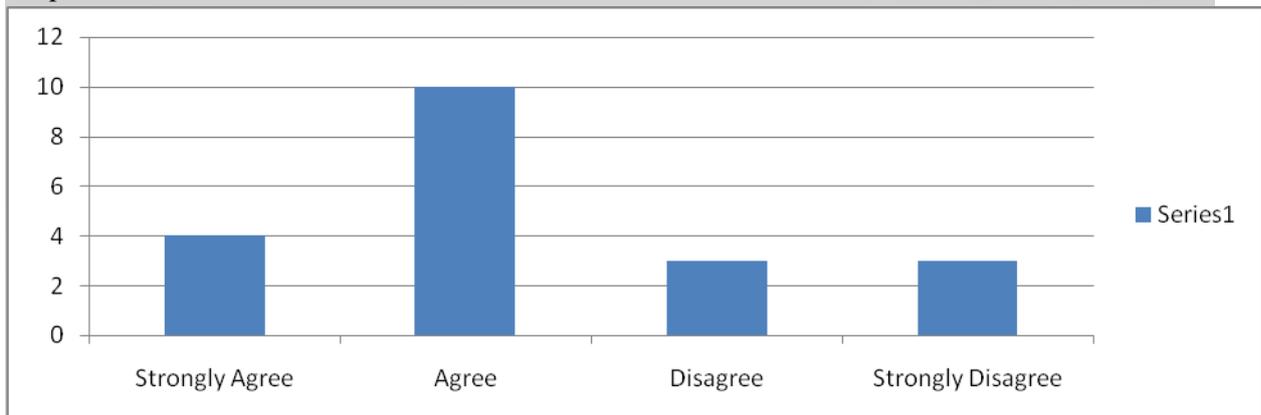
Table 1.3

Strongly Agree	Agree	Disagree	Strongly Disagree
4	11	1	0

New guidelines and growth of insurance sector

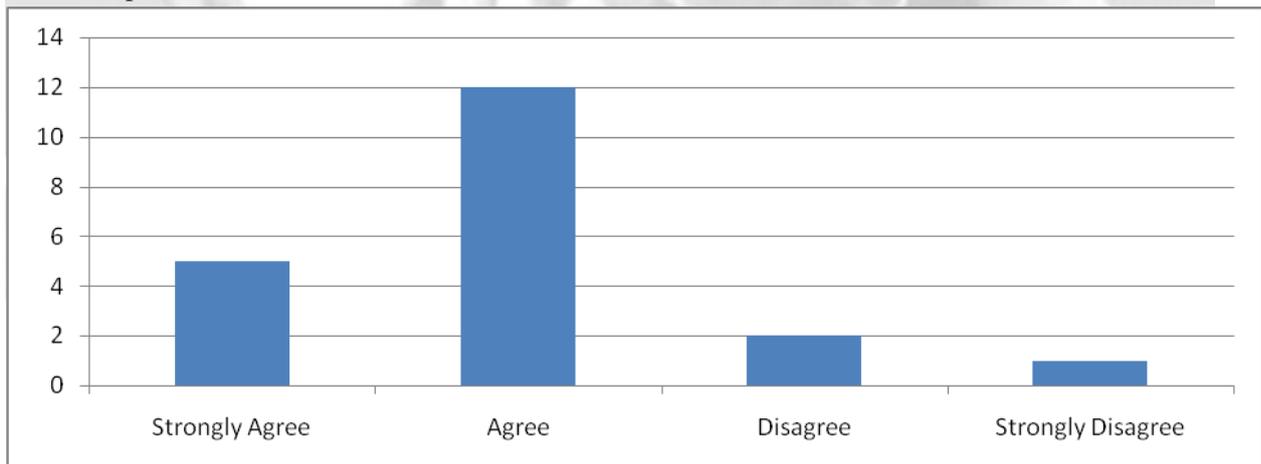
20% of the respondents strongly agree that the new guidelines by IRDA slows down the growth of the insurance sector. 50% of the respondents agree that new guidelines slows down the growth of insurance industry whereas 15% of the respondents disagree and remaining strongly disagree ,The respondents feel that the execution of new guide lines would slow down the growth of the insurance sector.

Graph 1.6



The Financial Advisers and their sales strategies

According to the Respondents of different designations 85% (60% Strongly Agree, 15% Agree)of them feel that the financial advisors have to adopt a different sales strategy to sell the insurance products



7. Conclusion

From the above data findings and analysis it can be understood that the Insurance sector has IRDA which is not only a major stake holder but the real guiding force behind the insurance sector’s growth and development. The new guidelines is accepted by the sales forces but they fear that the implementation is a challenging task and it requires time and efforts from all stake holders to implement the same. It is also seen that IRDA is more often than not is customer friendly and the new

regulations would make the sales process challenging and the FAs need to change their selling technique and strategies. The bottom line would be insurance in future needs to be sold as insurance and not line an investment product.

8. References

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Appendix-1

Questionnaire

Respected Madam / Sir, This data collection is taken up for the academic research titled 'A Study on the life insurance's sales force perspective on new guidelines issued by IRDA on Jan 2014'. Request you to answer the following questionnaire, your views are collected for pure academic research purpose and nowhere your identity would be revealed.

***Please underline or darken your choice of answer.**

Part A

- Name :
- Gender : Male / Female
- Company :
- Designation :
- Work Experience in Insurance Sector (in yrs) :

Part B

1. IRDA is a key player in the growth of insurance business.
 Strongly Agree Agree Disagree Strongly Disagree
2. IRDA has been able to regulate the insurance industry effectively.
 Strongly Agree Agree Disagree Strongly Disagree
3. IRDA works effectively in protecting the interest of policy holders.
 Strongly Agree Agree Disagree Strongly Disagree
4. IRDA is bent towards protecting customer's interest than insurers' interest.
 Strongly Agree Agree Disagree Strongly Disagree
5. The new guidelines stressing on Transparency, Protection, Customer centricity, Long term focus. It is challenging for IRDA to succeed in its objective.
 Strongly Agree Agree Disagree Strongly Disagree
6. The new guidelines might slowdown the growth of insurance sector.
 Strongly Agree Agree Disagree Strongly Disagree
7. The financial advisers have to change their sales strategies.
 Strongly Agree Agree Disagree Strongly Disagree