



Indirapuram
Institute of Higher Studies

HYPOTHESIS

NATIONAL JOURNAL OF RESEARCH IN HIGHER STUDIES

Volume 1, Issue 1, July 2018, Website: www.theihs.com/ejournal

Email: editor@theihs.com

Insurance Industry: Retention of Front Line Sales Team

Swati Jain, Dr. Sonal Kapoor
Associate professor, IIHS

Abstract

The Insurance sector in India is rising rapidly to bring growth and employment opportunities. It is embarked with huge potential and is motivated through back up of inland as well as foreign capital. But Insurance industry has been suffering for a long time now from high rate of turnover of the front line sales employees. It is identified as a growing critical issue among the Indian insurance service providers. The current paper intends to explore the factors that are influencing the retention of the front line sales employees in Insurance companies in India. The paper is largely guided by five specific objectives, namely the influence of product knowledge, demographic influence, influence of working conditions, influence of mode of remuneration, the influence of training and development and the influence of resourcing strategies.

Key words: insurance Companies, turnover, retention, front line employees **Introduction**

The Insurance sector in India is rising rapidly to bring growth and employment opportunities. It is embarked with huge potential and is motivated through back up of inland as well as foreign capital. Insurance companies in India are human intensive and a huge proportion of new business performance is earned through insurance agents. But unfortunately many Indian insurance

companies are facing challenges in attracting and retaining talent with a high attrition rate of approximately 19 per cent, which is more than the global average of 13 percent (The Economic Times, October 2017). According to the report 92 per cent of insurance companies in the country experience challenges in attracting talent while over 75 per cent organizations face challenges in retaining high performing talent. With growth trends up in the job market nationally and internationally, India is expected to witness highest attrition rate in the world with probability of one in four employees switching jobs in the country and abroad.

Low retention is one of the major problems faced by HR professionals of the Indian Private Life Insurance Sector. It is the most crucial issue for HR Manager in today's scenario because an organization faces problems like cost related to training & administration, recruitment etc. Today businesses are more dependent upon their human assets to survive and thrive. It is very unfortunate that, insurance sector in India is grappling with low retention levels and lower productivity of front line sales employees. Insurance sector is used as a temporary parking space before moving to the other sector. Turn-over of front line sales employees has been 30% in the first year of recruitment and up to 18% by the fourth year. V.K. Pathak in 2014 cited that reason for this phenomenon is low entry and exit barriers on one hand and high targets and work pressure on the other hand. The retention rate in the fourth year is as low as 13%. New sales force joining a company has a negative impact on the existing daily banter and human connections already in place. Turn over represents the largest area of financial loss for many companies.

Objective and Research Methodology

The objective of this paper is to determine the factors influencing front line Sales employee's retention in the insurance industry. To understand the influence of product knowledge, training and development, social demographics, remuneration and working conditions on retention of front line employees in these companies. The paper is based on secondary data and will try to infer from this the relationship between the various factors.

The Current Scenario

Insurance is a kind of risk management primarily used to protect against the risk of a contingent, uncertain loss, as defined in the context of Law and economics. It is the equitable transfer of the risk of a loss, from one individual to another, in exchange for payment. Company selling the insurance is termed as insurer and the person or entity buying the insurance policy is termed as

insured or policy holder. Premium is the insurance rate used to determine the amount to be charged for a certain amount of insurance coverage. The transaction involves a guarantee to the insured, to receive a payment in case of financial or personal loss. The insurer promises to indemnify the insured. The insured receives a contract, named the insurance policy which specifies the details regarding the conditions and circumstances under which the insured will be financially compensated.

These days employers are placing great emphasis on continuing professional education due to the diversity of financial products sold by insurance agents. College training helps the agents to grasp the technical aspects of insurance policies and fundamentals of selling insurance. Most companies and independent agencies prefer to hire college graduate who have expertise in business or economics. High school graduates may be hired occasionally if they have proven sales ability or had been successful in any other kind of work. As noted by U. S Bureau of Labor statistics, an insurance sales agent who possesses ability and leadership quality may become a sales manager. However, it is not mandate. Many agents who have built up good clientele opt to remain in sales.

It is further noted for hiring an agent interview should not be the only criteria. There has to be a great process behind it. Pre-hire assessment has become an essential tool in the insurance sector. For improving the rate of retention in insurance industry, simulation center needs to be set up. There the applicants would experience what they expect to find in the industry and how sales are like. It is simultaneously emphasized that it is better to control the flow of less interested candidates before the interview stage. The applicant might know better than the hiring experts that he or she may not be the right sample for the job. A few authors have suggested in past that checking the interest of the agent in the initial selection stage can avoid poor retention of the agents while others have warned against relying too heavily on the simulation exercise. Simulation exercises can also provide with some exposure to what the job is likely to be, though simulation is too artificial and good candidates can get left behind and thus simulation is at times found to be an inappropriate way to find out the interest of an agent.

Low retention of employees often engenders far reaching consequences and sometimes may even jeopardize efforts to attain organization objectives. There is a reciprocal link between organizational commitment and retention of employees, i.e. lower commitment lowers retention intention, which lowers commitment further. Job satisfaction and organizational commitment had a negative impact on turnover intentions of the employee, whereas perceived alternative job

opportunities had a positive correlation with turnover intentions. Also identified are training, length of operation and the nature of the industry which are significantly related to turnover.

Factors Affecting Retention and Attrition

Resourcing strategies plays the role of a catalyst in the retention of employees in any organization. For the organization to be profitable, the resourcing strategies must be commercially aligned so as to ensure that the rate of turnover is as minimal as possible. Likewise, selection process for the front line sales employees in the insurance industry is very critical and is directly associated with the retention. It is easily identifiable that there is a strong influence of resourcing strategies on the retention of front line sales employees.

Remuneration is the compensation an employee receives in return for contribution made to the organization. This paper states that remuneration is a major motivator for the employees especially where the subject of remuneration is money. However, incentives - as a mode of remuneration used by all the insurance companies to remunerate their employees does not have great impact on retention of the front line sales employees. It is also understood that those front line sales employees who scored high on salary exhibited are on a very high possibility of not being retained in the organization.

Training and development of the employees in the organization boosts up the morale of the employees which makes them feel as part of the organization. When an employee identifies himself with the organization, the chances of that employee remaining in the organization is very high. This eventually is very good for the organization. It reduces the cost of the company which would be incurred in acquiring and training new employees. The same has been affirmed in the findings of this study. Product knowledge is also to directly influence the retention of front line sales employees in the insurance industry.

The paper found that the working conditions did not have much influence on the retention of employees as they are facilitated with flexible working conditions. It was found proper reporting channels and management system that facilitated timely payment of incentives motivated employees to work longer with the company. It was found that social demographics, gender and age were some of the variables which were having direct impact on the retention of the front line sales employees in the insurance industry. Female front line sales employees have the highest rate of turnover in the industry as compared to male front line sales employee. Similarly, young employees of age bracket 24-35 have the lowest rate of retention unlike the counter parts of age

bracket 36-65.

The mode of paying incentives to the employees did not have significant impact on retention. While some people say that incentive as a mode of remuneration have a motivational impact on the retention of employees, while the majority of the employees are not motivated by incentives as a mode of motivation to remain in the industry. Apart from this, there is a strong connect between the age of the front line sales employees and the retention of front line sales employees. The employees between Age brackets 24-45 have the highest possibility of not continuing in the current insurance company they are working for. Female employees have the greatest possibility of leaving the current employer than male counter parts. Also the level of education has no influence on the retention of employees in the insurance industry.

The extent to which the management support the sales force at front line level, was found to be greatly influencing the rate of retention of the employees in the insurance sector. The employees who have the support of the management have a higher possibility of remaining in the current company they are working for. Product knowledge is also a key factor which impacts the retention of front line sales employee. It helps to identify them with the company and the same factor would make them work longer for their current company.

Conclusion

The paper can be concluded stating that the mode of remunerating front line sales employees has no influence on their retention. It served as a great motivation for the seasoned employees. The level of education has no impact on front line sales employees. Also the employees between age bracket 24 and 35 had low rate of retention. It meant that these employees did not remain long in the industry. However, it can be concluded that, training and development and product knowledge are the major factors influencing retention of front line sales employees. All the insurance companies should focus on developing their human assets and training them to acquire product knowledge. This would in turn increase the retention of employees in the organization.

References

www.worldwidejournals.com

www.scholarworks.waldenu.edu.in

www.ukessays.com

www.erepository.uonbi.ac.ke

www.researchgate.net