

**“Factors Influencing Retention Of Front Line Sales Employees In
Insurance Industry: A Survey Of Selected Insurance Companies
In India.”**

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Abstract

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. Hence, the study was intended to explore the factors that are influencing front line sales employee's retention in the major insurance companies in India. The study focused on the three selected insurance companies in India- HDFC established in 2000, Max Life established in 2000 and ICICI Prudential established in 2000.

The main objective of this study was to establish the factors that influences front line sales employees retention in the insurance sector. The study was largely guide 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. The study employed descriptive survey design. Both primary and secondary data was used. A set of questionnaires were administered to the front line sales employees for the collection of primary data. The sample population of the study consisted of 129 respondents using stratified random sampling. The study was conducted using descriptive analysis technique on both primary and secondary data.

From the findings, it was established that product knowledge, training and development, social demographic were found out as the key factors influencing the retention of front line sales employees. Therefore, the study recommends that more emphasis should be laid on training and development of front line sales employees and also on improving on the resourcing strategy.

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 78.40 percent (approx.) of new business performance are got through insurance agents (IRDA Annual Report 2013-14). Hence, human resource act as an undoubted differentiator. Quality manpower and its retention act as a litmus test for the insurance sector of India.

But unfortunately many Indian insurance companies are facing challenges in attracting and retaining talent with a high attrition rate of 14 per cent, which is more than the global average

(The Hindu, 05-06-2013). 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, India is expected to witness highest attrition rate in the world with probability of one in four employees switching jobs in the country. According to IRDA (Insurance Regulatory Development Authority) Annual Report 2011-12, there has been a 10.63 per cent decrease in the number of front line employees. The number has drastically gone down from 26.39 lakh as on March 31, 2011 to 23.59 lakh as on March 31, 2012. As per Life Insurance Council's figures for the end of June, the total number of front line insurance employees had fallen further to 21.32 lakh.

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 upto 18% by the fourth year. The reason for the same is low entry and exit barriers on the one hand and high targets and work pressure on the other hand (Pathak,2010). 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 .

General objective

The objective of the study was to determine the factors influencing front line Sales employee's retention in the insurance industry. A survey of major selected insurance companies in India.

Specific Objectives

1. To establish the relationship between product knowledge and the retention of Front Line Sales employees.
2. To establish the relationship between training and development and retention of Front Line Sales employees.
3. To establish whether social demographics have influence on the retention of Front Line Sales employees.
4. To establish the relationship between remuneration and the retention of Front Line Sales employees.
5. To establish the relationship between working conditions and the retention of Front Line Sales employees.
6. . To establish the relationship between resource strategies and retention of Front Line Sales employees.

Research Questions

- i. What is the relationship between product knowledge and the retention of front line sales employees in India?
- ii. What is the relationship between training and development and the retention of front line sales employees in India?
- iii. What is the relationship between social demographics and the retention of front line sales employees in India?

- iv. What is the relationship between the mode of remuneration and the retention of front line sales employees in India?
- v. What is the relationship between resource strategies and the retention of front line sales employees in India?
- vi. What is the relationship between working conditions and the retention of front line sales employees in India?

Scope of the Study

The study concentrated on the front line sales force of the selected major insurance company in India i.e. HDFC, Max New York and ICICI Prudential respectively.

Literature Review

Definition of Insurance

In the context of Law and economics, insurance is a kind of risk management primarily used to protect against the risk of a contingent, uncertain loss. 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. (Anderson , 1987)

Qualification for becoming an Insurance agent

According to Holt (2010), these days employers are placing great emphasis on continuing professional education due to the diversity of financial products sold by insurance agents. In the opinion of LIMRA (2007), 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. (Frankas 2010)

As noted by U. S Bureau of Labor statistics (2010), an insurance sales agent who possess 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

Resourcing strategies

George (1990) eludes that, for hiring an agent interview should not be the only criteria. There has to be a great process behind it. He asserted that pre-hire assessment has become an essential tool in the insurance sector.

For improving the rate of retention in insurance industry, simulation centers needs to be set up. There the applicants would experience what they expect to find in the industry and how sales are like. (Tett 2000)

Ashly(2000), emphasized 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. Tom (2009), and Peter (1999) also agreed that

checking the interest of the agent in the initial selection stage can avoid poor retention of the agents.

Srivivas (2003) has warned against relying too heavily on the simulation exercise. He says that simulation can provide with some exposure to what the job is likely to be. On the same lines, Banks (2010) has pointed out that simulation is too artificial and good candidates can get left behind. Wright (1992) asserted that simulation is not an appropriate way to find out the interest of an agent. It is only good to give a job presentation.

Reasons of high turn over

Abbasi and Hollman (2000) cited that low retention of employees often engenders far reaching consequences and sometimes may even jeopardize efforts to attain organisation objectives. According to Elangovan (2001) there is a reciprocal link between organizational commitment and retention of employees, i.e. lower commitment lowers retention intention, which lowers commitment further. Abdul Rahman, Raza Naqvi, and Ismail Ramay (2008) Stated that 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.

. Zheng and Lamond (2009) eluded that training, length of operation and the nature of the industry are significantly related to turnover.

Research Methodology

Research design

The study used a descriptive design. It aimed to establish the factors that has a strong influence on retention of agents in the insurance industry. It was a non-experimental survey

and descriptive research method was used. The results of a survey gave conclusive findings that can be generalized to large number of insurance companies.

Sample design

The sample size was determined using Fisher et al, sample size calculation formulae (Fisher et al 1998)

$$N = \frac{Z_{1-\alpha/2}^2 P(1-P)}{d^2}$$

Where;

n = Minimum sample size required

d = Absolute precision (6%)

α = Level of significance (5%)

Z = Standard normal deviate corresponding to 95% confidence interval (1.96)

P = Estimated prevalence of high retention among agents working for assurance companies (13%)

Therefore, $n = (1.96)^2 \times 0.13 (1 - 0.13) = 121$

Allowing for 7% non-response, the sample size was adjusted upwards to 129.

Sampling frame was 100 distributed in three insurance companies; 30 in HDFC, 40 in MAX LIFE and 30 in ICICI Prudential. To determine the number of participants to be interviewed from each company, Proportional to Size (PPS) allocation was used.

For selection of front line sales employee from each company, simple random sampling method was used. All the employees were listed using serial numbers from 1 to last i.e. for HDFC from 1 to 30, Max Life from 1 to 40 and ICICI Prudential from 1 to 30. Random numbers according to the proportional sample were generated for each company using a computer program. The questionnaire was administered to the identified employees.

Data collection method and techniques

Questionnaire was administered to the front line sales employee working for HDFC, MAX LIFE and ICICI Prudential. Respondents were asked to fill the questionnaire given to them at their convenient times. Questionnaires were used because it was easier for the very busy respondents to answer and fill in the questionnaire at their own convenient times. Both open ended and closed ended questions were used to collect enough information on the objectives which the study which were intended to be investigated. Secondary data was extracted from various annual reports published by IRDA, journals, magazines and newspaper.

Data collection procedures

Meetings were organized with HR managers of the selected companies to secure appointment with the front line sales employees so that the questionnaire could be administered to them. Few employees were administered the questionnaire through email.

Data analysis and reporting

Descriptive analysis technique was employed on both primary and secondary data. The data analysis was conducted using SPSS statistical software for both the data. At the initial stage of analysis, Exploratory data analysis (EDA) technique was used to uncover the structure of data and identify outliers or unusual entered values.

Univariate analysis: To summarize categorical variables, Descriptive statistics such as proportions were used.

Bivariate Analysis: To test for the strength of association between categorical variables Pearson's Chi-square test or fisher exact test was used. Dependent variable (retention score) and all exposure variables (Independent factors) were associated to determine which ones had significant association.

To estimate the strength of association between independent variables and the dependent variable Odds Ratio (OR) and 95% Confidence Interval (CI) were used. In the study, the threshold for statistical significance was set at $\alpha = 0.05$ and a two-sided p value at 95% confidence intervals (CI) was reported for corresponding analysis.

Multivariate Analysis:

All independent variables that were identified to be significantly associated with 'retention score' at bivariate analysis, were considered together in a Multivariate analysis. This was executed using Binary logistic regression. Logistic regression, 'backward conditional method' was specified in order to eliminate confounders and/or effect modifiers. Adjusted odds Ratios (AOR) along with their respective 95% Confidence Interval (CI) were implemented to understand the strength of association between the dependent variable (retention score) and retained independent predictors.

Table 1 Analysis of questions on reliability and validity

Variable	Items	Factor loading	Cronbach's @
Product	I feel confident when I meet	0.381	
Knowledge			
	I am able to handle all the queries....	0.537	
	For me it is very easy.....	0.493	
	I am aware of all the dimensions.....		0.682
	I know all the relevant facts...	0.482	
	My knowledge about the products helps...	0.723	
	The time taken to convince the customer depends on.....	0.830	0.825
	I can counsel the customer about the product...	0.637	
	I can sell only few products.....	0.608	
	In comparison to my colleagues, my knowledge of the products....	0.575	
	During the meeting with the customer, I do comparison study....	0.702	
	My method of communicating the product ...		0.710
	For selling the product, I can....		0.601
Training			
And			
Development	Training helps to build the confidence.....	0.659	
	It helps in my individual growth.....	0.727	
	Training increase the ability to	0.633	
	The association with the company.....	0.532	0.927
	It is essential to gain knowledge.....	0.811	
	The sales have increased after.....	0.800	
	Training is a useful method to	0.682	
	The time spent on training is worth....	0.694	

Social Demographic

Factors	Relocation is one of reasons of high attrition	0.807	
	I think there are gender biasness in the system	0.826	0.846
	Insurance company is my ticket to	0.742	
	My continuity in the company would depend...	0.688	

Remuneration

	I am satisfied with reward system for my organizational achievements	0.509	
	I am satisfied with the Money received from the job	0.759	
High remuneration motivates me to continue...		0.312	0.359
	Good incentives are the driving force....		0.557
	Insurance sector gives the opportunity to earn....		0.600

Working Conditions

	An Insurance salesperson has the ability to control his own work schedule	0.509	
	Insurance salespersons have less interference in work		0.759
Insurance salespersons job is a fun to meet new people		0.812	
There is a monotony in the job after some time		0.731	0.830
Sales persons feel high sales pressure from the higher management		0.557	

Salesperson feels that his job is a low level job 0.665

Flexibility in working hours allow me 0.566

Resourcing Strategies

	I joined the industry out of choice		0.509
	I did not have many options....	0.759	
	I am satisfied to be a part of....	0.812	0.689
	False expectations from the job is	0.731	
	I had no information about the culture...		0.557
	My personality is suitable for the.....s	0.665	

Findings

After the study, it can be concluded that selection i.e. resourcing strategies plays the role of a catalyst in the retention of employees in any organization. For the organisation 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. My study has confirmed 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 organisation. In the research, it was found 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. The findings also reveal that those front line sales employees who scored high on salary exhibited a very high possibility of not being retained in the organization.

Training and development of the employees in the organisation boosts up the morale of the employees which makes them feel as part of the organisation. When an employee identifies himself with the organisation, the chances of that employee remaining in the organisation 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 study 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.

Extent to which remuneration influences retention of the front line sales employees

The study was intended to evaluate the key items that influence the retention of agents in the insurance industry. The study revealed, the mode of paying incentives to the employees did not have significant impact on retention. Only 24.3% of the respondents agreed that incentive as a mode of remuneration had 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.

Extent to which social demographic influence the retention of agents in the insurance industry.

The study revealed that there is a strong connect between the age of the front line sales employees and the retention of front line sales employees. It was found that the employees

between Age brackets 24-45 have the highest possibility of not continuing in the current insurance company they are working for.

The study also revealed that the female employees have the greatest possibility of leaving the current employer than male counter parts. At the same time, the study revealed that the level of education has no influence on the retention of employees in the insurance industry.

Extent to which resourcing strategies influence the retention of front line sales employees

The study revealed that there was significant association between retention of front line sales employees and resourcing strategies. Resourcing strategies if not chosen carefully can have a negative impact on the retention of employees. If the appropriate strategies are implemented they can help in continuity of the employee in the organization.

Extent to which management support influence the retention of employees

The study revealed 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. The study revealed the management has a bearing on the retention of employee is approximately 41.6%.

Extent to which product knowledge influence retention of front line sales employees

The study also revealed that 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.

Extent to which working conditions influence retention of front line sales employees

It was revealed in the study that working conditions of the front line sales does not have significant impact on the retention of front line sales employees in insurance sector. It was quiet apparent that whatever the conditions might be, they don't affect the retention of employees.

Conclusion

After this study, it can be concluded 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. The results revealed that 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.

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