



PERSPECTIVE

Agent's roles and perspectives of life insurance market in North-East India

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Abstract

The study explores the roles and perspectives of life insurance agents as they are the dominant channel for distribution of policies. It uses qualitative primary data collected from 13 veteran agents and 4 managers of LIC in North-Eastern states using a semi-structured interview schedule. The main focus of the interview was to obtain extensive information regarding their experience as life insurance agents, with clients and with the company LIC itself. Assam has the most vibrant life insurance market, with better awareness and penetration across varying occupations and geographical areas. The agents prioritized building a good relationship with their customers, establishing a sense of trust with the company, and providing good after-sales services. Digitization has played a big role in catering to these responsibilities and has changed the work culture of insurance agents. There is stiff competition with the private sector, and the culture in each state affects spending and saving habits. Irregular income and mis-selling are the main causes of lapsation of policies.

Keywords: Life insurance, Individual agents, Insurance policy, North-East India, Service, Mis-selling.

Introduction

The life insurance sector in India has seen steady growth in the post-reform period, with Life Insurance Corporation (LIC) as its leading life insurance provider, accounting for 60.66% of the market share of total life insurance premiums. In this growth, insurance intermediaries are the most effective way of distributing life insurance, as they create awareness and demand for the policies. They also perform the role of primary risk underwriter, which is the basis of the life insurance contract between the insurer and the insured (NIA, 2021). Insurance intermediaries include individual agents, corporate agents, insurance brokers, micro agents, common service centres, web aggregators, etc. Among these intermediaries, individual agents have been the major channel of distribution for insurance policies for the LIC since its inception in 1957. Individual agents are the primary

contact persons who create awareness about life insurance for the majority of consumers and are, hence the most influential factor in selecting a life insurance policy (Balaji, 2015; Anagol *et al.*, 2017). The foundation of this relationship is trust, as trust in insurance companies has a positive relation with insurance ownership (Guiso, 2012).

Then, the success of life insurance companies largely depends on the individual agents, who are first-line workers and are involved in selling various types of life insurance products to the end consumer (Ankitha & Basri, 2019). The customer's overall satisfaction with policy, service, and the company he/she is buying from depends on the individual agent (Siddiqui & Sharma, 2010). Consequently, agent retention is an important subject matter for the insurer, especially considering the huge turnover in agent employment during 2015-2021 (IRDAI Annual Report, 2021). An agent's persistence or loyalty to a company and their success as an agent may depend on benefits or incentives offered by the insurance company (Roy & Roy, 2020). It is also easier for an agent to sell an insurance policy if their company has a good reputation with the public. It has been found that a company's image and reputation have a positive relationship with agent retention and loyalty (Tanwar & Prasad, 2016).

Given the significance of agents in the spread of awareness and consumption of life insurance, it is important to gain their perspectives of the market. There are very few studies on agents in India, and study addresses this gap in the literature and attempts to contribute to the existing

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knowledge by an in-depth study of the insurance agents' role and perspective of the life insurance market in North-East India

Methodology

Since the LIC of India is the largest insurance provider in the country, the study approached agents from LIC. The study also uses secondary national and state-wise data about agents and the life insurance market from sources such as IRDAI Annual Handbook, Handbook of Indian Insurance Statistics and LIC Agent Regulations 2017.

Primary data was collected from North-Eastern states, specifically Mizoram, Meghalaya and Assam, using both qualitative techniques. For selection of the agents, the main branch of LIC for each state was approached. There was a thorough discussion with the Manager, who gave consent and selected veteran agents from their respective branches for the interview. The agents were briefed about the study, and a semi-structured interview schedule was used to obtain

The opinions of the veteran life insurance agents and managers based on their wisdom and practical experience in the industry. The interview schedule included questions regarding their experience as life insurance agents, with clients and with the company LIC itself and the structure of the interview was to better capture their views with open-ended questions than close-ended questions and rating scales.

The respondent agents were from four branches of LIC offices located in the capital cities of Guwahati, Shillong and Aizawl. A total of thirteen interviews with agents and four managers was conducted, of which the managers and eight agents were male, and five agents were female. The names of the agents have been removed and labeled as "LIA1 – LIA13" to ensure confidentiality and anonymity. The respondents had an average work experience of 23 years with LIC, ranging from 15 years to 40 years, with an average of 969 clients, ranging from 600 clients to 2000 clients per person.

An Overview of the Roles of Individual Agents

As defined by the Insurance Regulatory and Development Authority of India (IRDA), an insurance agent is an individual appointed by an insurer for the purpose of soliciting or procuring insurance business, including business relating to continuance, renewal or revival of policies of insurance. Essentially, an individual agent is an intermediary representing an insurance company. In the year 2023, individual agents sold 76.61% of new individual policies, accounting for 96.82% of new individual policies in the public sector and 25% of new policies in the private sector. An individual agent sold an average of 15 new policies in the public sector and two new policies in the private sector. Out of the 26.28 lakh individual agents in India, 13.47 lakh individual agents (51.25%) are employed by LIC.

An agent's primary income is from his/her commission, defined as the compensation paid to and received by an insurance agent from an insurer for soliciting and procuring an insurance policy. The guidelines for payment of commission or, remuneration or reward to insurance agents and insurance intermediaries is defined in the Insurance Act, 1938, IRDA Act, 1999 and are followed by insurance companies when designing the payment structure for their respective agents. The commission structure for LIC includes two main components. The first-year commission is issued when a new insurance policy is sold to a customer. This is usually higher than the subsequent commissions and serves as an incentive for agents to acquire new customers and grow their customer base. The Renewal Commission is earned when customers renew their policy after the first year and is typically lower than First-Year Commissions. Agents continue to receive commissions on policy renewals, and it is a source of ongoing income as long as the policy remains in force. Aside from these, individual agents from LIC may also receive bonuses and perks for achieving specific targets and milestones such as high persistency rates, meeting sales goals, selling group or special insurance products. As a basic structure, LIC offers up to 25% commission on the policy premium in the first year, 2 to 10% for the second and third year and 2 to 6% from the fourth year until policy maturity. The First-Year commission is highest for endowment policies and money-back policies, and policy with longer policy duration will have a higher First-Year commission rate for all the policies. The commission structure is also a good indicator of the incentives with which insurance agents perform their jobs, as they may be more incentivised to encourage the purchase of policies with higher remuneration over others.

Out of the 750 districts in India, the public and private sector have offices in 688 districts (92%) and 604 districts (81%) respectively. There are only 59 districts in the country without a life insurance office from either sector, of which an alarming 49 districts (83.05%) are in the North-Eastern states. The organisational setup of LIC is not satisfactory and growth rate of individual new business is also very low in the North-East region as it is highly centralised, and the unitary structure has hampered efficiency and performance (NIA, 2021). Evidently, this shows that the North-Eastern states are severely lagging behind the rest of the country when it comes to insurance penetration. Among the North-Eastern states, Assam's life insurance market is much bigger than the other states. Out of the total 95365 individual agents and 445 offices in the region, 77.31% of all individual agents and 64.83% of the life insurance offices in the North-East are located in Assam. It also has a significantly bigger share of new business compared to the other states, accounting for 876383 new individual policies (78.56%). On the other end, Mizoram has the smallest share with 942 agents (0.98%), 14 offices (3.15%), 5394 new policies (1.88%) and it is clear that the life insurance market requires much improvement.

Discussions

Finding Clients

The individual agents have the widest reach of all distribution channels and operate in almost all territories, geographies, economic sections and social strata of India. The agents were asked to elaborate on their process of finding clients, how sales are usually made, and why most customers purchase life insurance. This is to have a basic understanding of the sales process and the relationship between the insurance agents and their clients. The respondents mostly had the same experiences finding clients, as they started from family, friends, relatives, and workplaces. From these first few clients, the agents would then expand their network through references and word of mouth. LIA 7, who has been working with LIC for 23 years, said that early in her career in 2003-2004, *"We used to go to the village, talk to the headman, tell him that we are from LIC, then we used to go door-to-door."*

According to the responses, the market of insurance agents can be broadly divided into two categories- the primary market and secondary market. The primary market consists of family members, relatives, friends and familiar people from their community. This is the market the agent first approaches, and sale of insurance policies may be comparatively easier in this market as personal and social relationships may matter over expertise and knowledge of the agent (NIA, 2021). The agent then has to move on to a secondary market where they have to make sales to unknown people including referrals. They may face more challenges in this market as they cannot rely on previous relationships and face stiff competition from other insurance companies and financial products.

Most agents preferred to speak to an individual rather than approach a group, since life insurance is considered a matter of *"individual personal assets"* and build a one-on-one relationship with the clients. Two agents noted the importance of appearance, in that looking smart and respectful was an important part of the process, as it shaped the client's perspective of them and in turn, the company. Agents have to maintain a good appearance as they often have to sell themselves before they sell a product (Chandrasekaran, 2010).

The agents mostly followed the same approach to finding clients. A common phrase in all the interviews was, *"Different people have different needs"*, a good summation of their sales practices, as they stressed that every person they approached had different needs and consequently, different reasons for purchasing insurance. The agents would build a relationship with them, get to know more personal details, and then try to find a suitable policy for the client. *"You first have to know the customer; you cannot directly convince them. You have to interact with them and find out what is lacking despite all they are achieving. It might be with family, children,*

other things. Then only you can know what kind of policy to suggest to them."

The agents had approximately 12600 clients between them, and there were interesting points when they described their client base. Both agents from Mizoram said that their clients were generally within the age range of 30 to 50 and noted that it was harder to convince young people to opt for policies. LIA 1 said, *"younger people do not yet understand the importance of saving and planning,"* as they would often delay purchasing a policy even with a stable income and only realise the benefits of long-term policies upon hindsight. This problem, however, was not mentioned in the other states and it seems that more younger people in Assam are subscribing to life insurance. LIA 13 from Assam commented on the changes she has seen during the course of her career, *"More and more young people go for life insurance. Nowadays, younger people are very active. Before, many did not want to take insurance, 'I don't earn too much, I cannot give every month', 'I will do it later', 'I will take when I have kids.' But I have more young people now."*

Most of the agents primarily worked with clients in the city, and LIA 4 from Meghalaya expressed the *majority of my clients are from tribal areas...they don't know what insurance is and its benefits, and we have to spread the information. It's much easier in city areas because they already know."* It has often been found that an agent is required to start with creating an awareness about the need for life insurance to an unknown client (NIA, 2021). However, compared to Mizoram and Meghalaya, where agents remarked that it was harder to find customers in rural areas, the sales agents in Guwahati said that they did not find much difficulty but rather said that it was not difficult because they have better rural penetration as compared to private companies, and that many farmers in more rural areas of Assam are LIC policyholders. LIA 12 said, *"Many of my clients are also farmers...penetration in rural areas is also very high. LIC is the only one that is easily available even in rural areas."* This is also reflected in the previous section.

The occupations of the clients shed further light on the insurance market. In Mizoram, the agents make it a point to target government offices and successful businesses while also growing a network of familial people. LIA 2 said, *"Most people that do not work government jobs do not have regular money coming every month. They are usually hesitant to take a policy because they are afraid of not being able to make payments."* Since there are limited salaried jobs in the private sector, it is reasonable to make government offices a target demographic. LIA 5 from Shillong also said that some clients could not continue their policy due to irregular income and that *"life insurance policies are only good for salaried people or rich people."* While agents from Mizoram and Meghalaya shared these challenges, it seems the agents in Assam are not as restricted in their clientele. According to

LIA 10, *"business owners will be higher than salaried people. If there are 10 lakh, 1 lakh will be salaried people and 9 lakh will be business owners."* This distinction alone shows the size of the private sector in Assam as compared to the other states, affording more employment opportunities and a more vibrant financial market.

When asked about the customers' main motivation for taking a life insurance policy, the most common reasons cited by the agents were security, saving, family needs, and education. Life insurance as a tool for investment and wealth creation was also a common motivator. The customers' purchase motivation is clearly reflected in the popular policies, as most of the agents said that moneyback policies, endowment policies and child policies were most popular among their clients. According to the agents, the most popular policies are Jeevan Anand, Jeevan Labh and Jeevan Utsav. LIA 4 added that Jeevan Anand is a popular retirement solution for people in their 30s. It is also interesting to note that agents in all the states named endowment and moneyback policies as some of the most common policies, and these policies have the highest commission rates for agents, as mentioned in the previous section.

Among the popular policies, there was again a difference between the states for term policies and ULIP policies. In Mizoram, people usually do not opt for term policies unless it is to fulfill loan requirements. Moreover, due to high administration costs and subpar understanding, many people had a bad experience with ULIP policies when it was first introduced. This has caused a negative sentiment towards the policy that still remains, and LIA 1 even stated, *"I only sell to those who fully understand and are interested in the financial market."* In contrast, term policies and ULIP policies seem to find more popularity in the other two states. LIA 5 from Meghalaya shared that term policies and ULIP policies are popular with business owners. LIA 12 from Assam also stated that the newer ULIP policies have been selling well with the younger generation, and it is common for them to take a term policy and a ULIP policy together, the former for coverage and the latter for profit.

Some agents also noted that consumer preferences have changed during the course of their careers. New customers generally opt for shorter-term policies when long term policies were preferred before. LIA 9 and LIA 13 said that the younger generation are more opinionated and more aware, and they are open to taking insurance. This awareness also translates to stronger personal opinions, and some choose to go for private companies or mutual funds. This is something the agents often have to face in the secondary market, as customers may not necessarily take the agent's advice when faced with competing financial products.

Experience with Clients

The agents ensure that they cultivate a good relationship with their customers, and many mentioned how it was

important for them to know each and every one of their clients. On the question of the client's general understanding of insurance products, risks and returns, and terms of the policy, all the agents explained that choosing a policy was not a fast decision. The agents first form a relationship with the client to have a general understanding of their wants and needs, and clients will take time to choose a suitable policy with the agents. As such, the agents confirmed that they would explain the policies to customers multiple times, and they would only take it when they fully understood the terms and conditions. Since many clients do not have a prior understanding of insurance policies, the agents shape their primary understanding of the products and suitable policies (Balaji, 2015; Anagol et al., 2017).

Because of this, there is a general consensus that clients have a full understanding of the policies they have taken. This was a priority not only for the client's sake but for the agent's as well. On this topic, LIA 9 said, *"This is my work; they are my customer, and LIC is my bread and butter. I respect my work, so I make sure to do it well also."* Then, since agents are the primary point of contact and information, a good relationship is essential to establish the client's trust in the policy, the agent and, consequently, trust in LIC. LIA 12 said, *"We also have to make sure that they understand because they should have trust in us."* This bond is a crucial part of this exchange, as a stronger relationship will not only help the insurer meet financial goals but also provide good experiences to the agents and better service to the customers (Siddiqui et al., 2023). Interactions with sales agents significantly influence a customer's assessment of the effectiveness and quality of the service, and building a strong buyer-seller partnership requires trust (Bradford et al., 2009). It is this relationship between the customer and the sales agent that defines the customer's relationship to life insurance products and the company.

In exploring this relationship, the agents were asked if they faced any problems with servicing or with the client's behavior. There seemed to be two common issues for most of the agents, i.e., losing documents and late payments on premiums. Many agents noted that clients often need assistance because they failed to keep their documents safe. It is apparent that this is a common issue in all the states, and clients would call the agents for missing documents, sometimes even putting the blame on the agents themselves. The Manager of Guwahati Branch 1 summed up the issue, *"...customers lose their documents...this is one thing that we cannot help because they have the documents themselves, and they will misplace it, then they will worry and call. But it is not a difficult procedure, and they are also helped by their concerned agent."* The other common issue is the late payments on premiums. Many agents commented that some clients need to be reminded of payment schedules and amounts. Another problem concerned with payment is that a client may not have sufficient balance to be deducted from their account,

something LIA two has often experienced. LIA 4 said that as much as 10 to 15% of her clients are irregular with premium payments and have to be reminded every time.

A key part of the relationship between agents and clients is the rise of digitization. Many agents commented on how cell phones and digitization has affected the nature of their job. Now, much of their business is conducted through phones, and this ease of communication has positively evolved their relationship with clients and the issues mentioned above. Since agents now have all key information on their phones, it is much easier to help customers when they call for help. Documents are easily sent on WhatsApp or mail, erasing a lot of the time and effort required before. LIA 4 said that the increased use of cell phones has changed the work culture, with more and more work being conducted on digital platforms. She mentioned that at least 95% of her work is now online.

Moreover, many agents stated that the issue of late payments has been much less significant since the introduction of automatic deductions from the bank. Since many clients have opted for automatic deduction, there is essentially no work required for the customer after the initial purchase. The number of clients that prefer digital/online payments varies; some have 50% of clients using online payments, while for some agents, as much as 90% opt for online payments. This rise in online payments is also an aftermath of the COVID pandemic, a period of much uncertainty for both the agents and the clients. It was during this time that many agents made use of the LIC application, LIC Digital. Since this was new to many clients, the agents also had the task of introducing and explaining it to them. LIA 4 describes her experience during this period, *"During the Covid pandemic, there was a lot of worry. What will happen if they cannot pay? Many policies will lapse. Then after some time, I started registering on LIC Digital for all my customers. For that, I digitally registered around 97% with their phone number and email id. Then, during the lockdown time, I told them how to pay. It was continuous, even till 12 to 1 o'clock. The earlier question was how to collect premiums from home. Now I collect very few, only 5-10 families."* This rise in digital platforms is more difficult for older people, and they require more help than most. It is important for agents to adapt their approaches for more senior citizens who are not as technologically savvy (Najma B & Begum, 2023).

The Branch Manager of Guwahati Branch two summarised general payment methods in Assam, *"Majority pay using UPI. Many will come and pay at the cash counter, some but very few also use cheques. We have premium points at different places in the city where customers can pay premium without having to visit the LIC office, or their particular agent or branch. Agents also collect from the customers themselves, and if they do that, they have 24 hours to deposit the money in the LIC office. We are also working towards card payment, and hopefully it will be available shortly."*

The spread of cell phones and internet use has affected not only the work culture, but also awareness about insurance products. LIA 1 said that in recent years, some people have learned about life insurance online and approached him to learn more information. Although LIA 9 and LIA 11 previously had to explain what LIC is and what insurance is, people already have awareness about it after the spread of cell phones. Thus, the increased use of cell phones, online UPI payments and the LIC Digital application have had a significantly positive impact on the conduct of insurance business. It is evident that digital innovation has revolutionized the way insurance firms conduct business and changes the degree to which clients are dealt with directly (Desikan & Devi, 2021).

There are two kinds of claim settlements, early and non-early, and the agents generally did not have problems with either. Claims are usually settled quickly, and many agents stated that every one of their claims had been settled. They sometimes face delays and issues when clients do not have the required documents for the claim. When a claim is filed, a research team from the branch undertakes the duty of verifying the claim and this process can take a while. Clients can get impatient waiting for the verification process, but this is not something that can be helped. As long as the claims are truthful, they are eventually settled.

This also brings into question the issue of fraudulent claims, cases where clients intentionally take policies by giving false information. For example, LIA 1 shared that some clients claimed that they did not consume alcohol or drugs, but their cause of death was tied to these habits. LIA 10 expressed the importance of agents in such cases as they are the primary underwriter of the policies. *"The people in the office are unable to see the people whose insurance they are doing. But the agent has the first-hand practical information. They collect information and accordingly, they will suggest whether we should offer insurance to that particular person. They primarily select the life insurance policy holders on behalf of LIC keeping the company in mind. Agents are the root-level underwriter. According to our instruction, it is again underwritten by LIC."* In this way, agents also hold themselves responsible in selecting clients to avoid fraudulent claims to the company.

When it comes to the issue of policy lapsation, there are two common reasons given by the agents. Many agents believe that irregular or unstable income is the main reason why clients have to discontinue their policies, a clear example being the COVID period. Due to a reduced earning capacity during the pandemic, many could not afford to continue premium payments and policy lapsation was high during this period. LIA 5 even stated that these high lapsation rates during COVID helped her understand that *"insurance is only good for salaried people or rich people."* These lapses due to irregular income occur due to uncontrollable circumstances instead of individual oversight, and it mainly comes down

to the financial burden on policyholders (Subashini & Velmurugan, 2012).

Some agents also said that the most common reason for lapsation of policies is mis-selling by agents when they do not do enough research before convincing a client to buy a policy. The lapses due to irregular income or downturns in business are few, and most cases of lapsation are attributed to the agents for not recommending a suitable plan based on the paying capacity of the customers, which all the agents mentioned was a crucial first step. LIA 12 describes this issue, *"Some agents also give wrong policy. Wrong policy does not mean bad policy, wrong policy means wrong for that particular person, that particular family. They will give big policy and earning capacity is too less. When they get the big policies, after some time, they cannot pay the premium. What happens? The policy will lapse."* Some agents even go as far as paying the first premium for a client. Agents may purposely give policies that are not suitable for clients due to pressure to increase sales and bring in more clients. The pressure of these targets often results in policies that the clients cannot afford (NIA, 2021). LIA 7 felt strongly about this issue, going so far as to say that this was the main reason for lapsation of policies and that agents are the ones responsible for such cases. This may have further implications, as it also impacts the level of the client's trust in the company (Danso, 2023). The mis-selling of policies may also be attributed to the fact that some agents assess how much the client can pay for the policy per month rather than assessing the required risk coverage (Anagol *et al.*, 2017). Some clients also had lapsed policies because they surrendered their policy when they had other expenses such as loan payments or the perception that their premium is a large amount of money to spend regularly as the rewards are deferred and not immediate.

Experience with LIC

There is a clear difference in public awareness among the states; the agents in Meghalaya and Mizoram commented on the low awareness of the public, attributing it to spending habits and lack of motivation to save, as many people spend lavishly and do not have the foresight to save or put off saving until a later time. The Manager in Shillong said, *"People in Meghalaya only think in the short-term. They live for the present and there is very little financial planning and management"*. On the other hand, the agents in Guwahati did not face this problem and shared that people opt for insurance policies irrespective of their sector or income bracket. LIA 11 also stated that when approached, most people will take an insurance policy even if they were not previously aware of it. This difference emphasizes the importance of cultural habits as an important factor in determining life insurance demand, as spending and saving patterns are not just an individual choice made in isolation (Chui & Kwok, 2007; Mitra, 2017).

The agents were asked to comment on their competition with private companies. It was observed that, particularly in Assam and Meghalaya, there was a much stronger sense of competition with the private sector. There was a sense of distrust of private companies, and the Managers had experienced cases of poaching of top agents, leaking company information to their competitors, etc. Such circumstances led to increased protection of company data and agent information. The agents felt that LIC was not comparable with any of the life insurance providers in the private sector because of two reasons: it has been in operation for more than 70 years and it accounts for a big majority of the market share. LIA 3 even likened it to *"comparing a mother and son."* Some agents were of the opinion that there are a lot of malpractices in the private companies due to pressure of meeting sales targets, such as selling bigger insurance plans without verifying income sources so policies ultimately lapse. Clients of private insurers had even come to LIA 5 and LIA 7 for help in settling claims due to the trust they place in LIC. Moreover, when asked about the general public's perception of LIC, the agents mostly shared the same answer- LIC has a very good reputation. They pointed out that since LIC has been operating for so many years, the name itself was synonymous with life insurance (Tanwar & Prasad, 2016). The agents also showed a deep sense of loyalty and pride in LIC, expressing their gratitude for financial benefits and intangible factors like honest business practices that come with LIC (Roy & Roy, 2020).

Limitations of the Study

The discussions and findings about the perspective of sales agents in this paper have been extracted from qualitative interviews with 13 life insurance agents and four managers working in LIC in North-East India. Although the interviews were exhaustive, the sample size is small as against the number of individuals associated with the life insurance industry in India. The agents were informed before the interview that any information or opinion rendered was strictly for the purpose of research and that it was strictly confidential, but it was observed that some agents were hesitant to answer questions that could have negative connotations, such as challenges working as a life insurance agent, challenges with claims, etc.

Conclusion

Individual agents are the most dominant stream of policy distribution and as such, play a vital role in creating awareness, promoting insurance and building the perception of life insurance among the general public. Among the North-Eastern states, Assam clearly has the most sizable economy and life insurance market, with better awareness and ownership among varying occupations and geographical areas. The agents involved in the study

gave importance to building a good relationship with their customers, establishing a sense of trust with the company, and providing after-sales services. Digitization has played a big role in catering to these responsibilities and changed the work culture of insurance agents. The sales agents were of the opinion that irregular income and mis-selling were the main reasons behind lapsation of policies and that agents themselves were the responsible party on most cases of lapsation. There is a deep sense of gratitude and loyalty to LIC and a generally dismissive attitude towards the private sector due to experiences of poaching due to intense competition. The culture in each state also affects spending and saving habits, which have to be considered in efforts to spread awareness and encourage life insurance consumption.

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