

# CREATING A SUSTAINABLE SOCIETY IN NON-LIFE INSURANCE INDUSTRY THROUGH EXCELLENCE IN TRAINING AND DEVELOPMENT

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## **Abstract**

With the rapid growth of the industry the demand for trained workforce with specific skills in sales, operations and product design and management has increased. Sustainable society in non-life insurance industry will depend on the supply of trained manpower.

Thus the paper tries to explain the basic training in non-life insurance industry for the employees and agents. The paper further examines the role of Information Technology in achieving excellence while imparting and grasping the training and development from the company and employees side respectively.

Further the paper gives suggestion to the non-life insurance companies to achieve excellence in training and development which further can help for generating sustainable society. Suggestions are:-

1. Aligning training to the strategies of the company
2. Training and development process in the non life insurance company

**Key words** - Training, Development, Society, strategy, Non-life Insurance Industry

## **1. Introduction to Non-life insurance industry in India**

The history of non-life insurance dates back to the industrial revolution in the west and the consequent growth of sea-faring trade and commerce in the 17th century. General Insurance in India has its roots in the establishment of Triton Insurance Company Ltd., in the year 1850 in Calcutta by the British. In 1972 with the passing of the General Insurance Business (Nationalisation) Act, general insurance business was nationalized with effect from 1st January, 1973. 107 insurers were amalgamated and grouped into four companies, namely National Insurance Company Ltd., the New India Assurance Company Ltd., the Oriental Insurance Company Ltd and the United India Insurance Company Ltd. The General Insurance Corporation of India was incorporated as a company in 1971 and it commence

business on January 1st 1973.

This millennium has seen insurance come a full circle in a journey extending to nearly to 200 years. The process of reopening of the sector had begun in the early 1990s and in the year 2007 IRDA has introduced with de-terrifying of insurance premiums.

Today there are 24 general insurance companies with 2 new companies (SBI General and L&T) entering the market and increasing the competition among existing players. A well-developed and evolved insurance sector is a boon for economic development as it provides long term funds for infrastructure development at the same time strengthens the risk taking ability of the country. Different types of non-life insurance provided by the companies are fire, marine, Aviation, engineering, motor, medical, home, credit insurance and agriculture insurance. Growth in the terms of the gross premium underwritten over the corresponding previous year up to the month of February 2011 is 24.73% for the private players and 20.97% for the public players.

## **2. Training and Development**

Training refers to a planned effort by a company to facilitate employees' learning of job-related competencies. These competencies include knowledge, skills, or behaviors that are critical for successful job performance. The goal of training is for employees to master the knowledge, skill and behaviors emphasized in training programs and to apply them to their day-to-day activities. For a company to gain a competitive advantage, its training has to improve more than just basic skill development. Many organizations have adopted the broader perspective, which is known as high leverage training.

2.1 High Leverage training is linked to strategic business goals and objectives, uses an instructional design process to ensure that training is effective and compares or benchmarks the company's training programs against training programs in other companies.

High leverage training creates continuous learning which requires employees to understand the entire work system including the relationships among their jobs, their work units and the company

Now a days training is being evaluated not on the basis of the number of programs offered and training activity in the company but on how training addresses business needs related to learning, behavior change and performance improvement. Training is used to improve employee performance, which leads to improved business results. Training is seen as one of several possible solutions to improve performance. Thus it is important to link the training practices with the strategic outcomes of the company.

Development refers to formal education, job experiences, relationships, and assessment of personality and abilities that help employees perform effectively in their current or future job and company

Development if compared to training, development is a futuristic word and it undergoes high work experiences and is a voluntary participation

### **3. Importance of training and development in non-life insurance companies**

Since 1999 the steps of IRDA has lead to privatization and growth of the industry. Growth for the non-life insurance segment for the period 2000-01 to 2007-08 has been rapid with 15 % CAGR. With the rapid growth in the industry, there is an increase in the demand for trained workforce with specific skills in sales, operation, product design and management. The future growth of a company will depend on its trained workforce.

Non-life Insurance is a difficult product to sell owing to its financial complexity, low financial literacy and lack of awareness among the consumers of the need for such a product. Two major areas of concern are mis-selling and non-settlement of claims. Moreover specialized knowledge in underwriting, actuarial, assessment and risk management requires investment in training and development.

It is very difficult for the companies to sustain competition without trained workforce. Different product categories in general insurance require specialized skill sets in various areas. Agency model of distribution requires systematic training to the agents. For this purpose the organization has to put a large amount into infrastructure for training purpose. The primary interface of the customer is with the agent; they need to be well trained in all the aspects of non-life insurance. Thus the sales staff and the agents need to be skilled in product knowledge and sales effectiveness.

In the year 2008-09 the industry has witnessed an increase of more than 4 lakhs agents/ advisors. The industry employs more than 5 lakhs employees. Most of the companies in the industry are hit by employee attrition level of 50 % and agent attrition of 70 %. Expanding industry with high attrition rates has increased the number of new recruits. These new joiners have to be properly guided for imparting knowledge on the specific company's business model and sales philosophy. To complete the sales of the general insurance policy, there is also a need for strong interpersonal, networking and communication skills. Competencies which are required by the middle level managers in the non-life insurance companies are job knowledge, leadership, communication, decision making, managerial skill, analytical skills, interpersonal skills, ability to plan, ability to motivate, team management, delegation, initiative, creativity and flexibility. Thus training and development plays an important role in imparting these competencies into the workforce of the non-life insurance players.

### **4. Training in Non life insurance**

Training requirements in the non-life insurance industry vary according to the levels in the organization. Employees may be segmented into sales, non-sales and senior management. The most frequently delivered training programs are designed for managers and agents. These modules emphasize on sales effectiveness, product knowledge, sales communication and relevant technology. The one for non-sales staff are typically technical in nature. While senior management is trained on regulatory and corporate governance aspects.

#### **4.1 Sales training for sales managers and agents**

IRDA mandates a minimum of 50 hours of training to agents prior to issuance of the license. Agent training is also imparted post the issuance of the license. The agent must be able to judge the exact requirement in every customer interaction. Training is essential for determining the type of product and the value of sum assured that best suits the client's requirement. Soft skills training to agents help in their personal growth and ultimately improve customer servicing. Company is always in a hurry to get business and hence due attention is seldom paid to either sales training to training in insurance fundamentals

#### **4.2 Training of non-sales staff**

Non-sales staff include operations and other support departments namely information and technology, Human resources, finance and marketing.

Non-sales staff in the non-life industry typically constitutes 15-20 % of the population. Key modules include operations, underwriting, actuarial and finance.

Despite the fact that non-sales staff employees are not customer facing, it is important to train this work force as their contribution indirectly affects customer experience.

#### **4.3 Training for senior management**

Leadership building exercises are carried out by much non-insurance firms today through both classroom and outbound programs. Technical training modules on risk management, capital requirements and regulatory compliance are periodically administered to senior management in order to keep the senior management abreast of the latest regulations and business ideas

#### **5. Aligning training to business strategies**

Training is planned process to modify, attitude, knowledge or skill, through learning, experience, to achieve active performance, in activity or range of activities, to satisfy the needs of organization. Insurance serves a social purpose by providing economic security to individual citizens. As a person grows in an organization, an assessment of his job profile and responsibilities is necessary at periodical intervals. The need for insurance education and training, therefore, can be classified as follows:-

- ❖ Induction training
- ❖ Knowledge about basic principles of insurance, various types and classes of insurance and its practices, underwriting, policy servicing and claim settlement
- ❖ Managing insurance business

Training is about knowing where one stands at present and where he can reach after some point of time. Therefore, training must embrace the following:-

- ❖ Who is to be trained ?
- ❖ Who is to execute training ?
- ❖ What programs are necessary ?
- ❖ Standards to be achieved in training

#### **5.1 Who is to be trained ?**

The industry needs to undertake a professional or a strategic approach to training need analysis of all the stake holders connected with the insurance industry. Such an approach will provide information on present resources and capabilities of the insurance industry and also provide a guide as to demand for training. Such analysis must be undertaken at predetermined intervals and can be used to monitor the entire training exercise for

measurable outcomes.

#### **5.2 Who is to execute training ?**

The people who are capable and willing to impart their knowledge as trainers may be equipped with trainers' skills so as to be effective in imparting training. There must be in place an ongoing program so that the industry can look to its own resources to provide a pool of trainers.

#### **5.3 What programs are necessary ?**

Deciding about the programs to address specific performance problems needs lots of input and involvement of various stake holders associated with it, to set the standards vis-à-vis performance levels that are measurable. It has to look into the content and delivery; and even where and when the program is to be delivered. It will have tremendous impact not only on the programs and their participants, but also on the insurers, insurance industry and the entire society

#### **5.4 Standards to be achieved in the training**

In private sector, assessment of performance is relatively simple and can be based on profitability, return on invested capital, utilization of assets, comparisons with competitors and contribution to society and environment. No training program can boast any credibility unless standards to be achieved are determined in advance

Insurance industry is one which requires all its practitioners to keep pace with the changes, which means that on going training and exposure to global developments in insurance are highly desirable. Therefore, the perception in the development of any insurance training program must also propose a strategy for continuous learning as an integral policy on training in insurance

#### **6. Aligning Information Technology training to business strategies**

Business strategy of insurance service providers has undergone massive changes in recent past. Risk evaluation and underwriting demands more scientific approach, policy creation and administration needs to be faster and efficient, claims processing needs to be sensitive towards customers with much lesser scope of error; customer relationship management demands regular innovation and so on. Due to these changes, use of information technology is no more a matter of choice but it has become an urgent necessity.

In the training tools head projectors and transparencies have become the relics of the past. The laptop, LCD projector and CDs packed with power-point presentations are the new training tools.

These are the most convenient for the trainers and easy to follow for the trainees. The modules are standardized and uniform delivery of the training material through presentations at all training locations has now become possible. Trainers who make these presentations are smart, high caliber techno-savvy young people with very good academic credentials, well taught by top management for making effective plan presentations

## **7. Training and Development process in Non-life insurance companies**

In the non-life insurance companies the employees can be classified into:-

1. Sales Staff
2. Non-Sales Staff
3. Senior Management

The training and development undergone by all the three categories should be different. It varies from need assessment to the types of training to the training methods.

The basic training process is as per the figure 1 which can be explained as under

### **7.1 Business Strategy**

The training and Developmental activities which are carried in the company should be linked to the Business Strategy. Business strategy means the mission, goals of the organization. If the training programs are not linked to the business strategy, the end result i.e., value of training will not be seen in the organization. Thus the training programs should be prepared keeping in mind the business strategy of the organization.

### **7.2 Competency based training need assessment**

Once the strategy is clear of the company, the management can decide upon which area of operation is creating a problem in the organization and further to the business. The problematic area can be selected for improving it through training and development. There has to be a need assessment of the training program, i.e., why the training is required for which purpose and for whom?

Competency based assessment will help the organization to study the loopholes and the strong points of various departments and the employees, and depending upon the competencies required to perform the specific task the training can be provided.

Different employees have to be assessed with different ways. Sales staff can be assessed on the basis of their sales figures on the monthly or quarterly basis. Non-sales staff can be assessed on the basis of their operational efficiency and top level

executives can be assessed on their leadership skills and the team effort of its team. Competency training need assessment can be done from performance appraisal, interviews, expert panel discussions.

### **7.3 Designing training and development program**

Once the organization has decided the employees who will undergo what type of training program, designing of that program will be the next step. The organization has to select with the methods of training program depending on the type of training. For the sales staff if it is the product knowledge training, then the method which has to be adopted has to be classroom training. If for the same group if the training has to be on sales effectiveness or communication, then the method which has to be adopted should be role-plays, games and simulations.

Selection of the trainer is an important task for the organization. Depending on the importance of the training program the trainer has to be selected. If the training has to be on risk management for senior management then, the trainer should be well qualified with appropriate knowledge.

### **7.4 Implementing training activities**

Once the designing or the rough layout of the training program is ready, the next step is implementation of the training program. With the new technology, training is being implemented in a very new fashion. Usage of technology is on the rise in most of the non-life insurance industry. With the proper use of technology, implementation of training has become easier and cheaper thus profitable for the organization.

### **7.5 Evaluation of training program**

Once the training program is implemented, evaluation of the program becomes the must to see whether the program implemented was profitable for the organization or not. Evaluation of the training program should be done from the financial aspect either by utility analysis or evaluation of all the training costs. If the objectives set by the training program are not set then again the organization has to undergo the training need assessment. Thus training is a process which is continuous in nature

### **Conclusion**

Non-life insurance industry is growing at a very dynamic pace and thus it requires systematic formulation of training and developmental programs for the employees and agents. If the company does not focus on this aspect then there will be an imbalance between the organization, employees and the customers i.e. the whole of the society. If the

non-life insurance companies need a sustainable growth for the company and for the country, training and development has to be given more importance in a very systematic manner. Currently the cases of more mis-selling and non settlement of claims are there. If the whole society wants to be sustainable, it requires proper training and development for the employees and the agents and proper knowledge should be imparted to the customers regarding non-life insurance products

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**Table 1. Types of Training according to employees**

| Types of Employees | Types of training   |
|--------------------|---|
| Sales Staff/Agents | Product knowledge, sales effectiveness, communication   |
| Non-sales staff    | Operational policies, underwriting, actuary, after sales service, settlement process, fraud investigation |
| Sr.Management      | Corporate Governance, Risk Management, Capital Requirement, Audit Compliance                              |

**Figure 1. Basic Process of Training and Development**

