



UNIVERSITI PUTRA MALAYSIA

**FACTORS AFFECTING THE HIGH RATE OF TURNOVER AMONG
PART TIME LIFE INSURANCE AGENTS AT MALAYSIAN
ASSURANCE ALLIANCE (MAA) SEREMBAN BRANCH**

M. BARATHI DASAR

FBMK 1998 1

**FACTORS AFFECTING THE HIGH RATE OF TURNOVER AMONG
PART TIME LIFE INSURANCE AGENTS AT MALAYSIAN
ASSURANCE ALLIANCE (MAA) SEREMBAN BRANCH**

By

M. Barathi Dasar

**Thesis Submitted in Fulfillment of the Requirement for the
Degree of Master of Science in the Institute
For Distance Education and Learning
University Putra Malaysia**

October 1998



Adalah disahkan bahawa saya telah membaca dan menyemak kertas projek ini bertajuk “Factors affecting the high rate of turnover among part time life insurance agents at Malaysian Assurance Alliance (Seremban Branch)” oleh M.Barathi Dasar. Dengan ini diperakui, bahawa kertas projek ini memenuhi syarat dan kelayakan bagi keperluan Ijazah Master Sains (Pembangunan Sumber Manusia).



DR. JAMILAH BT OTHMAN
Jabatan Pendidikan Pengembangan
Fakulti Pengajian Pendidikan
Universiti Putra Malaysia
(Penyelia)

Tarikh. 25/11/98



DR. AZIZAN BIN ASMUNGI

Jabatan Pendidikan Pengembangan
Fakulti Pengajian Pendidikan
Universiti Putra Malaysia
(Pemeriksa)

Tarikh. 26/11/98

ACKNOWLEDGEMENTS

I wish thank the Institute for Distance Education and Learning (IDEAL), Universiti Putra Malaysia for giving me the opportunity to conduct this research study.

For the completion of this research study, I am greatly indebted to my supervisor, Dr. Jamilah bt Othman for her invaluable advice and guidance throughout the duration of the study.

I would like to acknowledge my sincere thanks to Encik Sulaiman Hj Baputey for his tireless patience and assistance in helping analyse the data. His invaluable insights, guidance, feedback and advice on this project have been immensely helpful.

I am thankful to Mr Kulaindasamy who has inspired me to pursue this course and valuable advice. My appreciation and thanks also goes to Mr Rajasegaran, Senior Manager of Seremban MAA agency, Mr Rahman Yassin and Mr Lingam for giving me enough support to collect the data from the part time insurance agents who have left the MAA Seremban branch.

To my family, especially my beloved wife and children, I owe a special word of thanks for the patience, understanding and encouragement shown during the course of my studies at the Institute for Distance Education and Learning, Universiti Putra Malaysia.



TABLE OF CONTENTS

| | Page |
|--|------|
| ACKNOWLEDGEMENTS | ii |
| LIST OF TABLES | v |
| ABSTRACT | vi |
| ABSTRAK | viii |
| | |
| CHAPTER | |
| | |
| I INTRODUCTION | |
| | |
| Concept, Origin and Historical Background of life insurance business..... | 1 |
| The Development and Scenario of life insurance business in Malaysia..... | 2 |
| Career as a life insurance agent in insurance industry..... | 3 |
| Full time and Part time life insurance agents..... | 4 |
| Corporate Profiles | |
| Alliance Berhad..... | 5 |
| Life Insurance and Malaysian Assurance Alliance Berhad..... | 6 |
| Statement of the Problems..... | 6 |
| Research Objectives..... | 8 |
| Assumptions of the Study..... | 10 |
| Significance | 10 |
| Limitations of the Study..... | 10 |
| Terms and Definitions | 10 |
| | |
| II REVIEW OF THE RELATED LITERATURE | |
| | |
| An overview of turnover research..... | 12 |
| The Concept, meaning and effect of turnover. | 12 |
| Factors that lead to Turnover..... | 13 |
| Relational Study on Turnover..... | 15 |
| Intention to leave versus intention to stay... | 25 |
| A research on life insurance employees' turnover in Malaysia..... | 27 |
| A research on life insurance agents' turnover in Malaysia..... | 28 |
| Concluding Summary of the Literature Review..... | 30 |



| | |
|--|----------|
| Framework of the Study..... | 30 |
| III RESEARCH METHODOLOGY | |
| Research Design..... | 32 |
| Study Instrumentation..... | 32 |
| Sampling Procedures..... | 36 |
| Population and Sample..... | 37 |
| Data Collection..... | 37 |
| Analysis of Data..... | 37 |
| IV FINDINGS AND DISCUSSIONS | |
| Demographic Profiles and Its Implications... Awareness upon entrepreneurial characteristics..... | 39 46 |
| The Five Important Factors which prompted the respondents to become part time life insurance agents..... | 52 |
| The Respondents' Perceptions on what makes a successful part time life insurance agents.... | 55 |
| Factors affecting the turnover of MAA part time life insurance agents..... | 62 |
| Summary of findings..... | 63 |
| V CONCLUSIONS AND RECOMMENDATIONS | |
| A new dimension of turnover research..... | 68 |
| The individual behaviour and attitude..... | 70 |
| The facilities provided by the agency..... | 75 |
| Amendment on Bank Negara Policy..... | 77 |
| Summary and the Discussion..... | 77 |
| Recommendation for future research..... | 78 |
| Bibliography..... | 80 |
| APPENDICES | |
| Appendix A: The 4-important practices that the resigned part time life insurance agents believe to be reason to success in life insurance business..... | 83 |
| Appendix B: The 5-important factors prompted the respondents to become part time life insurance agents..... | 84 |
| Appendix C: Reasons on why part time life insurance agents left the business..... | 85 |
| Sample of Questionnaire | |



LIST OF TABLES

| Table | | Page |
|--------------|--|-------------|
| 1 | Part time MAA life insurance insurance agents' turnover according to age..... | 40 |
| 2 | Part time MAA life insurance agents' turnover according to gender..... | 40 |
| 3 | Part time MAA life insurance agents' turnover according to marital status..... | 41 |
| 4 | Part time MAA life insurance agents' turnover according to educational background..... | 42 |
| 5 | Part time MAA life insurance agents' turnover according to number of dependants..... | 43 |
| 6 | Part time MAA life insurance agents' turnover according to full time employment..... | 43 |
| 7 | Definition of success..... | 46 |
| 8 | The reasons for venturing into life insurance business..... | 47 |
| 9 | The distribution of hours spend by MAA part time life insurance agents to perform selling activities per day | 48 |
| 10 | The breakdown of the pattern of the resigned MAA part time agents on risk taking..... | 49 |
| 11 | The distribution of communication methods applied by drop out MAA part time life insurance agents..... | 50 |
| 12 | Strong support from the agency force..... | 56 |
| 13 | High commitment in meeting the prospects... | 56 |
| 14 | Prior skills in salesmanship..... | 57 |
| 15 | Strong support from the family members..... | 58 |
| 16 | Skills in establishing networking..... | 59 |
| 17 | Persistency and consistency in making follow up with the prospects..... | 60 |
| 18 | Good time management..... | 61 |
| 19 | The mean percentage of three different categories..... | 63 |



Abstract of the research project submitted to the Jabatan Pengembangan,
Universiti Putra Malaysia in partial fulfillment for the degree of Master of Science.

**FACTORS AFFECTING THE HIGH RATE OF TURNOVER AMONG
PART TIME LIFE INSURANCE AGENTS AT MAA SEREMBAN
BRANCH.**

By

M. Barathi Dasar

October 1998

Supervisor: Dr Jamilah binti Othman

Faculty: Jabatan Pendidikan Pengembangan

Fakulti Pengajian Pendidikan

Universiti Putra Malaysia

This study explored factors that contribute to the high turnover of part time life insurance agents at Malaysian Assurance Alliance (MAA), Seremban Branch. A self administered questionnaire were used to collect data from 111 part time life insurance agents who left the business from the main list of 350 drop outs provided by MAA Seremban Branch. Simple random sampling was applied to select the respondents before ask them to answer the questionnaire.



Perceptual questions were used to gauge factors that make them leave the profession.

High commitment at the permanent work place, lack of salesmanship skills, conflict between dual career were found to be strong factors affecting the turnover. Other factors include high achievement quota from the agency force and high selling activities which were required in order to stay in this business. Bank Negara's ruling on commission percentages was also found affecting the turnover.

This study recommend that more facilitating environment is needed to develop part time life insurance agents, especially from the agency and parent organisation. Therefore different treatment and privilege should be given to the MAA part time life insurance agents compared to full time life insurance agents.

Since this study is highly perceptual, more empirical data is needed pertaining to the turnover rate among the full time and part time life insurance agents. By having more information, it will help to ensure that more rigorous and conclusive study to be done in future.

Abstrak projek penyelidikan yang dikemukakan kepada Jabatan Pendidikan Pengembangan, Universiti Putra Malaysia sebagai memenuhi sebahagian daripada keperluan untuk mendapat ijazah Master Sains.

**FAKTOR -FAKTOR YANG MEMPENGARUHI KADAR BERHENTI
YANG TINGGI DIKALANGAN AGEN INSURAN HAYAT SEPARA
MASA SYARIKAT MALAYSIAN ALLIANCE ASSURANCE,
CAWANGAN SEREMBAN.**

Oleh

M. Barathi Dasar

Oktober 1988

Penyelia: Dr Jamilah binti Othman.

Fakulti: Jabatan Pendidikan Pengembangan

Fakulti Pengajian Pendidikan

Universiti Putra Malaysia

Tujuan kajian ini ialah bagi menyelidik faktor-faktor yang menyumbang kepada kadar berhenti yang tinggi dikalangan Agen Insuran Hayat Separa Masa. Tinjauan secara mengisi sendiri borang soal selidik oleh agen agen insuran yang telah berhenti telah digunakan bagi mengumpul data berdasarkan senarai agen berhenti yang diperolehi dari pejabat cawangan MAA di Seremban.. Persampelan rawak mudah digunakan bagi memilih responden dari senarai agen-agen hayat

separa masa yang telah berhenti. Seramai 111 orang responden telah dipilih dari seramai 350 orang agen insuran hayat yang berhenti.

Hasil kajian menunjukkan faktor peribadi seperti tekanan beban tugas di tempat kerja hakiki, kurang kemahiran dalam bidang kejurujualan serta konflik dua kerjaya adalah faktor terpenting yang menyumbang kepada mengapa agen agen insuran separa masa meninggalkan profesion mereka. Selain itu faktor organisasi seperti kuota jualan yang tinggi, beban aktiviti jualan serta ketiadaan pendapatan tetap telah mendorong agen tersebut untuk berhenti.

Hasil kajian ini mencadangkan agar kemudahan bekerja yang lebih diberikan kepada agen-agen insuran hayat separa masa dibandingkan dengan insuran hayat sepenuh masa.

Memandangkan kajian ini hanya berbentuk persepsi dan diskriptif, data empirik yang lebih nyata mengenai jumlah berhenti dikalangan agen insuran hayat sepenuh masa dan separa masa adalah diperlukan bagi membuat kesimpulan yang lebih bermakna.

CHAPTER I

INTRODUCTION

Concept, Origin and Historical Background of life insurance business.

The concept of insurance has been evolving as long as there have been communities. Thousands of years ago, for example, a form of insurance has began in China when people shipped goods across the sea in sometimes hazardous conditions. Boat owner began putting a little bit of each owner's cargo in every boat, so that if one boat sank, each owner would be sure that most of his products would still reach the shore. When European settlers came to America, each member of the community would help if one person's house burned down. Pitching in to rebuild someone else's house, a community member was insuring that he would receive help if he suffered a similar loss. As society enlarged and became more complex, insurance began to take the strictly monetary form we are familiar with today. Now a person pays one amount, called premium, to insure that if he falls victim to disaster she will be protected, at least financially. The agency charges the client a fraction of the rebuilding costs and is able to pay for any reconstruction by using the premiums of those who do not ever suffer any losses.



The life insurance concept, on the other hand, was conceived as early as 2,800 BC, when it was being applied by merchants to protect themselves against the loss of their property. The first recorded life insurance contract in England was dated 1583 and it was on the life of William Gybbon. The industrial revolution in England and elsewhere had accelerated the growth of life insurance business. As the business grew, the government started to step in by regulating the operation of the business and provided measures to safeguard the interests of policy holders.

The early development of life insurance catered more for the wealthier class of people. The Friendly Societies and Industrial or Home Service Insurance then came into being mainly to protect the needs of the lower class of society especially the working people. The first rumblings of the insurance industry in Malaysia did not take place until the 18th century. In other word, insurance activities were largely non-existent.

The insurance infancy then was mainly based on the British system because of the advent of colonialism. It catered mainly to British trade and was managed by trading houses and agencies of British insurance companies. Local participation was negligible because of ignorance and lack of expertise.

The development and scenario of life insurance business in Malaysia.

The 1950's witnessed a spiralling growth in life insurance in Malaysia. A substantial portion of the market was concerned by the British and American firm although locally incorporated companies were making their presence felt.



After independence in 1957, nationalistic sentiments resulted in moves to control the establishment of wholly-owned subsidiaries or branches of foreign companies which had been previously been allowed a free rein.

Given much encouragement, the domestic companies were poised to make further inroads into the market. However the boom was marred by many companies which did not have sound underwriting practices. A number of companies went out of business leaving their policyholders high and dry. The Malaysian government stepped in to remedy the situation by introducing the Insurance Act, 1963. The office of the Director-General of insurance, a division of the Ministry of Finance, was given the task of regulating and supervising the insurance industry.

The government also encouraged the insurance industry to project a Malaysian identity besides fulfilling its economic and social obligations. With the introduction of the New Economic Policy, many foreign-based companies have restructured to meet the local equity participation. Those which have not done so are actively pursuing this objective.

Career as a life insurance agent in insurance industry.

The career path of an agent in life insurance industry is totally different from career path in other industries such as manufacturing, services or trading. In life insurance industry, the performance of the agents are not based on the attendance or punch card, loyalty to superior and the relationship with top management. In insurance company, there is no formal performance

appraisal like what is being practised in other industries. The performance of the agents in insurance company are purely based on the number of cases and total first year premium collected for a certain period of time, which is stipulated by the agency. If the agent can close certain number of cases and make collection of first year premium persistently and consistently, only then the agents are considered performing. Otherwise the agents are considered not performing.

The insurance firm will not count the number of appointments, the number of cool calls and the number of presentation that the agents made in measuring the performance of the agents unless the sale is closed and the cash is collected from the prospect. In other word compared to other employees, the agents performance are purely based on his or her own initiative and willingness to think and act voluntarily.

Full time and Part time life insurance agents

Life insurance agents must be registered by Life Insurance Association of Malaysia and contracted by the insurance company. They also must pass the Personal Contract Examination which is conducted by Malaysian Institute of Insurance. There is no difference between full time and part time life insurance agent in terms of quota and performance.

However there is a difference between full time and part time life insurance agent in terms roles and responsibilities. The full time insurance agent is fully committed selling life policy and does not have any other commitment, whereas part time insurance agent has two roles to play, working as a wage

earner and selling life policy. In other words part time life insurance agents have dual career commitment whereas full time life insurance agents have only one commitment. The nature of work of both part time and full time insurance agents are almost the same, that is working on commission, spend quite a bit of time networking, finding new customers, collecting premiums and updating sales record.

Corporate Profiles of Malaysian Assurance Alliance Berhad.

Malaysian Assurance Alliance Berhad or better known as MAA was incorporated in 1968 and listed on the KLSE, has used the base to build itself into a giant in the life and general insurance industry in Malaysia. With shareholder funds of over RM140 million, MAA currently the largest capitalised Malaysian insurance company and together with a formidable asset base over RM700 million, MAA has the solid foundation to grow as the industry's leader.

Over the years, MAA has recorded excellent growth in premium income and profits. This success can be attributed to a variety of factors including a strong, united and dedicated team of staff and agents who, together have become a force to be reckoned with.

The backing from a team of world class international reinsurers ensures that MAA is equipped with the best technical knowledge and expertise to continuously come up with high quality, competitive and innovative products.

With the guidance and advise from Bank Negara Malaysia which regulates and supervises the insurance industry, a highly conducive environment

has been created for MAA to grow with strength. This together with the protection accorded by the Insurance Acts ensures that all Malaysian will have only the best insurance policies and coverage the industry can offer.

Life insurance business of MAA.

Due to Bank Negara's ruling in 1985, which call all life insurance company to be nationalised, has affected MAA to be formed from AIA. This is a leading Bumiputra owned life insurance company with a turnover of 80 millions in 1985, 180 millions in 1996 and 180 million in 1997. The project evaluation of MAA was 5 millions, 15 millions and 11.5 millions respectively.

MAA deal with life insurance which ranked number four among 18 life insurance companies in Malaysia. MAA's mission is to be number 1 company by the year 1999. To achieve this objective the company must tap 230 millions first year premium by the end of December 1999. They have to compete with established foreign life insurance companies such as Great Eastern Life Assurance and American International Assurance.

To achieve this objective MAA needs to recruit its Agency Force from 16,000 to 50,000 by the year 2000. The agents are the backbone of MAA. The role of these key personnel will ensure the success of MAA, to be number one in life insurance company by the year 1999. The role of agents in MAA is that they must able to maintain RM75,000.00 first year premium to maintain their agency.



Statement of the Problems.

Recently MAA faced high rate of turnover among the part time life insurance agents compared to full time life insurance agents. The turnover rate become more obvious after the Bank Negara's ruling in revising the commission percentage through Operation Cost Control. Statistics shows that the increasing rate of turnover of part time agents compared to full time agents for the last five years in MAA. This is elaborated in the following table:-

The turnover trend of part time agents in MAA for the last five years.

| Year | Total MAA agents | Total Part time agents | Drop out number of part time agents | Drop out percentage of part time agents. |
|-------------|-------------------------|-------------------------------|--|---|
| 1993 | 8,500 | 3,000 | 200 | 6.6 |
| 1994 | 10,000 | 3,500 | 500 | 14.2 |
| 1995 | 12,500 | 4,750 | 900 | 18.9 |
| 1996 | 14,000 | 5,200 | 1500 | 28.8 |
| 1997 | 16,000 | 6,000 | 2000 | 33.3 |

Source: 1997 MAA annual report.

The above table shows the increasing turnover of part time agents from 1993 through 1997, both in terms of numbers and percentages. The increasing turnover of part time agents is more obvious in 1996 and 1997, where about one-third of the agents have left the life insurance business. Significantly, these figures elaborate the poor performance and drop in profit of MAA agency as a whole where the first year premium collected in 1997 has dropped to RM130 millions compared to RM180 millions first year premium collected in 1996. The

factors contributing to this scenario have yet to be confirmed and the identification of the factors also have yet to be explored. However the Jan '98 bulletin of MAA reported the contributing factors to this scenario. They have identified the following research questions on reasons why the part time agents left the organisation, such as:-

- * Is it because of the personal factors faced by MAA part time life insurance agents such as inability to divide full time career and insurance selling activities, high pressure and commitment at the permanent work place, not able enough to close the case, having other better income opportunities and lack of quality time with the family members?
- * Is it because of the organisational problems such as the policy is not easy to sell, very little fringe benefit, the agency does not guarantee fixed income, the agency does not help much in giving training and high achievement quota set by the company?
- * Is it because of the external factor such as Bank Negara's ruling in revising down the commission percentages?

Research Objectives.

General objective:-

The general objective of this study is to identify the factors contributing to the high rate of turnover among part time agents in Malaysian Allied Assurance (MAA).

Specific objectives:-

The specific objectives of this study are:-

1. To study the demographic factors related to the part time agents in terms of age, sex, educational background, existing permanent job, marital status and number of dependants.
2. To identify what are the prominent and crucial independent variables affecting large number of turnover at Seremban MAA branch. This is further describe in the following independent and dependent variables, below:-

Dependent Variable: Turnover.

Independent Variables:

- Personal factors such as, dual career conflicts, time management, salesmanship skills and work and family conflicts.
- Organisational factors such as, work organisation, product quality and benefits and high achievement quota.
- External factors such as revision of commission percentages by Bank Negara.

Assumptions of the study.

In this study;-

1. In this it is assumed that part time agents that are affected by the personal, organisational and external factors.

Significance of the Study.

This study will give better understanding and insights to the management of MAA on why part time agents left the organisation and therefore prepare a strategic plan to retain them in the organisation.

Limitations of the Study.

The findings from this study do not reflect the problems faced by the part time agents in life insurance industry as a whole, instead it only give focus on the problems faced by agents in one organisation.

Terms and Definitions

Insurance: A service that offers a policyholder protection against something that may or may not occur.

Full time insurance agent: A person who is authorised to introduce life insurance business for the insurer who in return pays him commissions and bonuses and he is fully committed to sell the life policy.

Part time insurance agent: A person who is authorised to introduce life insurance business for the insurer who in return pays him commissions and bonuses, however he is not fully committed since he has his own full time job to perform.

Assurance: An arrangement by which something is promised or guaranteed. This word was in the past preferred to insurance while referring to life insurance and marine insurance. Modern trend is to use the word insurance in all cases.

Insurance company: An organisation that provides both general insurance and life insurance policy.

Policy: The document that forms a legal contract between the policyholder and the company; it states all the details and conditions and benefit involved.

Policyholder: The person who has paid at least the first premium and who is up to date with the payment and further premiums which may be required for a particular policy. The policyholder is also called the assured or insured.

Policy of Life Insurance: Any policy by which payment of policy money is insured on death (otherwise than by way of insurance against personal accident, disease or sickness only) or on the happening of any contingency dependent on the termination or continuance of human life, and includes a policy which is subject to payment of premiums for a term dependent on the termination or continuance of human life and a policy securing the grant of annuity for such a term.

Turnover: In life insurance industry turnover refers to the number of agents who left the insurance business and no longer contracted by the company.

CHAPTER II

REVIEW OF THE RELATED LITERATURE

An overview of turnover research.

There were many research and studies done pertaining to the factors that lead to turnover by the previous turnover researchers. They even came up with turnover model to describe and illustrate the factors that associated with turnover in the organisation. There were many relational study and hypothesis, which were developed and expanded from time to time, in order to illuminate and establish the new factors. The behavioural and attitudinal construct factors were found to be prominent causes influencing the turnover.

However it is very hardly to find any single research meant for turnover among the life insurance agents, especially focusing on part time life insurance agents whether abroad or in Malaysia. The reasons were because the life insurance agents' status is different from employee status in the organisation. The agents' work is to find new businesses for the organisation, whereas the employees have to work for employer.

The concept, meaning and effect of turnover

According to Chambers Encyclopedic English Dictionary (1994), turnover refers to the number of workers that are hired by a firm to fill the places of workers who have left the organisation in a particular period of time. High turnover rate means when a large number of employees left the organisation. On the other hand, low turnover means when a small number of employees left the organisation. Mathematically the turnover rate is measured on percentage basis by dividing the number of employees who left the organisation to the total number of employees in the organisation for a certain period of time. Turnover will expediate cost and will affect organisation budget, especially in training the newly hired employee.

Factors that lead to Turnover.

The global and macro economic variables.

Early frontiers and researchers have studied at national level on the factors that influence the turnover. Frontiers in turnover research found that factors like labour market conditions, labour market perceptions and availability of alternative jobs influence turnover intention and behaviour. March and Simon (1958) stated that “under nearly all conditions the most accurate single predictor of labour turnover is the state of economy.... When jobs are plentiful, voluntary movement is high; when jobs are scarce voluntary turnover is small. These are the basic labour demand and supply theory and consistent with the economic literature mentioned by Ehrenberg and Smith (1982) in the following phrases:

When labour markets are tight (jobs are more plentiful relative to job seekers) one would expect the quit rate to be higher than when labour markets are loose (few jobs are available and many are laid off) ... One measure of tightness is the unemployment rate.

March and Simon (1958) further argued that general labour market condition influence voluntary turnover brought perceived ease of movement, which interacts with perceived desirability of movement to influence turnover. Their model suggests that certain factors such as “dissatisfaction” may push the employee to look for alternative employment, whereas other factors such as perception of attractive job alternative may pull the employee to consider alternative employment. The “push” and “pull” factors at national level will directly affect the turnover.

On the other hand, Mobley, Griffeth, Hand and Meglino (1979) mentioned that labour market perception, such as unemployment and vacancy rates will influence the turnover indirectly. Since different types of employees faced different types of labour markets, Mobley (1979) also included occupational and personal characteristics such as aptitude and tenure as determinants of labour market perceptions.

The availability of alternative job during tight labour market condition is also found to be an important factor influencing turnover. Michaels and Spector (1982) explained that a person will quit his job if another job become available to him. However Hulin, Roznowski and Hachiya (1985) further illuminated that most workers do not quit on the basis of probabilities estimated from alternatives