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The Influence of Organizational Commitment on the Performance of Life Insurance Agents: A Theoretical Review

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Abstract

Life insurance agents are important in building trust and reputation among insurance businesses with customers and have a substantial effect on the propaganda and marketing of life insurance products to help customers. Understand the benefits of life insurance to participate and expand participation in life insurance more and more, contributing to dominating the market and increasing revenue and profits for life insurance businesses. However, in increasingly fierce competition, insurance businesses want to build attractive recruitment mechanisms to recruit high-

performing, incredibly individual insurance agents. Accordingly, to maintain the insurance agency system's stability, companies must promote organizational commitment to these agents. This study examines organizational commitment's influence on insurance agency performance based on a theoretical overview. On that basis, we propose some discussion ideas that contribute to increasing organizational commitment for insurance agents in the current context.

Keywords: Organizational Commitment, Performance, Life Insurance Agents

JEL Code: G00, G02, G22

1. Introduction

In the life insurance business, the important thing is how to get life insurance products to customers. Therefore, it is necessary to carry out essential marketing activities and identify product distribution channels or systems that play an urgent and important role. Currently, most life insurance businesses use distribution channels through agents. Insurance businesses will recruit and train agents and provide costs and office equipment for agents to operate. Establishing and maintaining a distribution system through agents often requires a significant investment in finance and human resources. Although the distribution of life insurance products in the market has been diversified, more than 70% of products are still distributed through agent channels, whether online or traditional. Therefore, the provision of service quality is highly dependent on the customer-oriented behavior performed by the insurance agent as a type of frontline employee (Bettencourt and Brown, 2003, Iyer and Johlke, 2015)^[2, 6].

Due to the characteristics of life insurance products being intangible products, a promise, a commitment of life insurance businesses to customers, and the impressions and beliefs of customers towards insurance activities depend a lot on the agent's ability, behavior, and attitude.

The role of insurance agents in the operations of life insurance businesses is expressed in many aspects including:

First of all, we must talk about the reputation of the insurance company. This will be demonstrated through the reputation and operational experience of the insurance enterprise, healthy financial situation, reasonable capital investment strategy, solid operations, full implementation of committed terms, and high-quality services. All of these require significant contributions from insurance company staff, especially from many agents - those who use public reputation to transact with customers.

Second, due to the product's intangible nature, it is necessary to help customers clearly understand the benefits of life insurance. The agent's ability to contact and advise customers is extremely important to this end.

Third, the agent responds to customers' opinions about the insurance company, helping the company improve service quality.

Fourth, in cases where changes are needed, or the customer has financial difficulties, the agent is the one who offers solutions for the customer to choose from. When an event in the contract occurs, the agent is the person who guides customers to complete procedures to receive full insurance policy benefits quickly.

Moreover, in Vietnamese conditions, people's awareness of life insurance is not high enough, so the role of agents is even more important in distribution channels. Agents must have a solid grasp of their operations to be able to propagate and explain to customers. However, this is also a force that is easy to convert when there are more attractive opportunities in other businesses. The departure of the agent force not only affects the stability of the business's operations but takes with it the potential customer file of the company that the agent is in charge of. Therefore, studying the impact of commitment on the organization of life insurance agents is necessary in the current context.

2. Literature review

Life insurance

Life insurance is a commitment between the insurer and the insured, in which the insurer will pay the participant (or beneficiary of insurance benefits) a certain amount of money when events occur. A predetermined event occurs (the insured person dies or lives until a specific time), and the participant must pay the insurance premium in full and on time. In other words, life insurance is the process of insuring risks related to human life, life, and longevity. The target audience for life insurance is vast, including people of different ages.

Life insurance allows individuals and households to share with many others and cover financial losses from unexpected risks such as death from their basic salary (Joo, 2008) [18]. It is an important financial tool for allocating resources against uncertain life events (Yaari, 1964, Yaari, 1965) [20, 21] and is an important element in long-term financial planning (Carson and Forster, 2000) [3].

Life insurance agent

According to Law on Insurance Business 2022 No. 08/2022/QH15 issued on June 16, 2022, "An insurance agent is an organization or individual authorized by an enterprise on the basis of an insurance agency contract to carry out insurance agency activities according to the law provisions of this law and other relevant provisions of law." Thus, a life insurance agent is a person authorized by a life insurance enterprise to carry out activities related to life insurance exploitation, insurance premium collection, and other activities within the framework of the law. The agent's authorization and responsibilities are stated in the agency contract and insurance business law.

Organizational commitment

Organizational commitment is defined as an individual's belief in and acceptance of the organization's goals and values and their willingness to exert significant effort on behalf of the organization (Hunt *et al.*, 1989) [5]. It is considered a personal and stable attitude component. Organizational commitment is global and stable (Yousef, 2002) [23] and is regarded as an individual basic component. Considerable research has shown that commitment to one's organization is accompanied by greater work motivation (Steers, 1977) [18] and a desire to make the company more

productive and prosperous (Wiener, 1982) [19]. Lee *et al.* (2000) [10] as well as efforts to see results outside of what is traditionally expected in their work (Mowday *et al.*, 1979) [11].

The influence of organizational commitment on the performance of life insurance agents

An overview of the above studies shows that retail environments, from businesses to business organizations and banking institutions, make more efforts to engage in customer-oriented behavior demonstrated by sales staff goods committed to the organization. One good reason is that people who value organizational membership are willing to exert significant effort, translating into a higher focus on meeting customer needs. In particular, highly committed organizational members work harder to achieve goals (Angle and Perry, 1981, DeCotiis and Summers, 1987) [1, 4]. Consistent with corporate practices that actively encourage salespeople to focus on customer service (Rozell *et al.*, 2004) [16]. Jain and Swarup (2013) [7] studies have found that salespeople identify with the organization that provides more significant effort to satisfy their customers. In a survey of business-to-business salespeople, Siguaw *et al.* (1994) [17] demonstrated that the level of organizational commitment salespeople influenced their customers. Similarly, O'Hara *et al.* (1991) [12] found increasing levels of organizational commitment among salespeople working in industrial and advertising settings that led them to embrace customer orientation in their day-to-day dealings with clients. They argued that salespeople who are committed to their employer will be more likely to support organizational goals related to the development of customer satisfaction. Kelly (2004) [9] also demonstrated that committed employees in banking organizations are more likely to support the organization as it strives to build long-term customer relationships, as reflected in employees' willingness to sell and engage in activities that may sacrifice a short-term reward. This is similar to the findings of Pettijohn *et al.* (2009) [13], who found that salespeople in retail environments committed to the company made the more significant efforts necessary to provide customers with the highest level of customer satisfaction higher satisfaction.

This research result was also supported by Yeh and Hong (2012) [22]. They believe that the organizational commitment strategy and organizational commitment system play an important role in delivering maximum profits through understanding the needs of employees. The insurance business is becoming increasingly competitive; this research can provide a better insight into corporate management systems' influence on life insurance agents' motivation and performance. In addition, Reid *et al.* (2006) [15] further mentioned that an increased rate of organizational commitment will promote the development of individual capabilities in performance and encourage employees to take action to set goals, take action, and achieve them. They targeted - a valuable organizational commitment that satisfies the specific needs of agents. This level of commitment can be expressed externally in reward strategies and compliance in implementing agent support strategies. This core policy motivates agents to achieve better customer-oriented behavior and fulfill business goals. Additionally, in the conclusion of Piercy *et al.* (2006) [14], the nature of selling is one of the main reasons why organizational commitment must be used to ensure

salespeople act in the organization's best interests and the business's best interests. When commitment to the organization increases, the interests of the life insurance agent and the company are closely linked. Therefore, the interests of individuals will become the interests of the collective and vice versa. This is completely appropriate in the agency operating system of a life insurance enterprise. According to current regulations, although life insurance businesses have a decentralized agency system, agents who directly advise customers can receive commissions from premiums. Meanwhile, upper management systems still enjoy specific discounts from front-line agent sales. Therefore, such benefit commitments make the relationship between agents and businesses closer.

3. Discussion

The overall research results show that organizational commitment plays an important role in the agent's relationship with the insurance business and contributes to increasing the agent's performance. Accordingly, insurance businesses need to focus on a number of solutions to improve organizational commitment to life insurance agents, specifically as follows:

Build a suitable promotion mechanism for agents

This is the internal motivation that strongly promotes the agency's development process. However, in management work, especially when considering an agent for a new position, the following points need to be noted:

- + Sales results criteria are not the only criteria when considering the promotion process because not all good exploitation agents can become good managers.
- + Agents should be arranged through intermediate stepping stones such as reserve team leaders and reserve team leaders to set targets for them to strive for.
- + Before the appointment, management training must be conducted. When agents have been promoted to new positions, they must consistently provide additional training in management knowledge and must regularly evaluate agents in their management positions.

Insurance businesses need to set specific criteria to carry out the process of reviewing and evaluating agents in an objective, fair, and honest manner. On that basis, businesses can decide to maintain or downgrade sales team leaders to promote the dynamic and creative role of team leaders in managing and operating group activities.

Insurance businesses should create conditions not only for the team leader to have the opportunity to fulfill their duties but also to allow team members to strive to excel and separate to form new teams.

In addition, in the management and development of agents, businesses must always closely follow and organize agents to comply with the terms committed in the agency contract. The terms include the responsibilities and obligations of the agent, such as regulations for advising customers, handing over contracts, collecting and paying life insurance premiums, and performing customer care services, perform activities, record, report, deposit, pay taxes, terminate, and liquidate contracts. Pay attention to the organization and implementation of the terms committed in the agency contract.

Insurance enterprises must specify the content in terms of agency contracts so that they can be monitored and controlled, thereby taking appropriate measures and paying special attention to aspects that are in reality in real time. In

recent times, agents have often taken advantage of them to their advantage, harming the interests of customers and insurance businesses. Carrying out this work requires insurance businesses to rely on the guiding documents of the General Insurance Enterprises and the actual situation in the locality to define strict reward and punishment regimes to enhance their position and role, the authority of the team leader, and raising the sense of discipline among agents.

Flexibly apply forms of support from insurance enterprises

Insurance businesses should focus on advising agents on whether to choose individual exploitation methods or exploit through presentations based on location or specific subjects. Insurance businesses should focus on researching and implementing many general activities that have the effect of supporting agents, such as paying careful attention to customers' interests, visiting and giving gifts to customers on birthdays and holidays, and Tet holiday, especially for customers with high-value contracts.

Insurance businesses also need to pay attention to building close relationships between insurance businesses and agents and customers, considering it a vital relationship to ensure the development of insurance businesses. In particular, it is necessary to properly and quickly implement commitments to resolve insurance benefits and maturity payments to create trust with customers, thereby building credibility for agents to have easier customer relationships.

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