Agent Retention

by Melissa Steven

Agent retention in the life insurance industry remains a perennial challenge for companies operating within the traditional career agency system. 68 percent of agents leave companies within their first two years on the job and in 2005 the four-year agent retention rate was 14 percent, with a total annual turnover rate of 31 percent, according to LIMRA's annual Agent Production and Survival survey. Although this retention percentage did increase in 2005, over the past 20 years agent retention has been unable to dramatically increase.

Retention rates correspond with a company's effectiveness at building its sales organization. Company "bottom lines" would benefit substantially from increased retention rates. One key to achieve higher retention is to find methods to recruit the right people. Companies are losing money because it takes an enormous amount of resources to recruit, hire and train new employees. LIMRA estimates that it costs anywhere from $65,000 to $215,000 to develop a new agent through the first three years of his or her career.

In 1975, over 50,000 agents were recruited. Since then that number has dropped 40 percent. While declining numbers could be a result of sales managers looking for quality over quantity, retention rates have not seen a dramatic increase.

For every problem a solution can be found. Since management in the life industry knows and understands the issues that they face, some solutions could be recommended to begin making positive changes.

One resource in helping to address these retention issues is The American College's Chartered Leadership Fellow® (CLF™) designation program. This educational curriculum can assist agency managers interested in learning how to recruit and retain the best agents. In addition, the program provides financial service professionals with a better understanding of leadership, organizational structures and management techniques.

The life insurance industry can be a difficult business to get started in, but with the right tools and training a person can become successful at selling life insurance products. The first few years as a new agent can be the toughest. If agents could be properly coached and supported during this period, retention rates would improve.

Furthermore, the life insurance industry is a social business where agents and producers can learn from one another. Having a new agent shadow a more experienced and successful producer could be one key ingredient in improving retention. This technique provides a new agent with experience on what it is like being a producer before entering into the field on his or her own. While more common in years past, this practice seems to have faded recently. Having a mentor can create a sense of safety and reliability with a new agent because they would have someone they go to with questions and concerns.

According to Richard Dulisse, LUTCF, CLU®, ChFC®, CFP®, CASL™, assistant professor of financial planning at The American College, mentoring relationships create a mutually beneficial working environment for both the novice and the veteran agent. Increased productivity gives the protégé needed income that contributes to their retention, while helping to rekindle the mentor's career enthusiasm.

As the retirement age increases, many experienced agents choose to continue to work part-time during their retirement. This new trend could help create more mentors in the life insurance industry. Integrating semi-retirees into the mentoring process at insurance companies could provide new agents with valuable lessons that they would not get through conventional training methods. Companies investing in hiring semi-retirees as mentors could radically change the techniques used to train new agents and increase retention rates.

Another innovative idea is to recruit women who have children in school and are stay-at-home moms as agents. These women have a vast network of prospects in a similar economic situation. The real estate industry began recruiting women like this and now there are a significant number of women brokers.

By investing in making significant changes to how agents are recruited and developed, the insurance industry will gradually realize a change in retention and the longevity of the life insurance agent as a career profession. This is key to the industry's long-term productivity and profitability.

.

Melissa Steven is in public relations at The American College in Bryn Mawr, PA. She is pursuing a Bachelor of Arts degree at Cabrini College. She can be reached at Melissa.Steven@TheAmericanCollege.edu. For more information about The American College, visit www.TheAmericanCollege.edu.