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## THE AGENT'S PERSONALITY VERSUS EFFECTIVENESS OF LIFE INSURANCE COMPANIES

**Abstract.** Insurance business is a part of every economy. Its importance is unquestionable. The insurance as a product allows reducing of the operational and disaster based risks and compensates their realization. This is particularly significant in the context of global oriented operations and social security or pension plans.

**Key words:** agents, effectiveness, insurance, management, personality, provision.

**JEL classification:** M12, M21

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### ВЛИЯНИЕ ЛИЧНОСТИ СТРАХОВОГО АГЕНТА НА ЭФФЕКТИВНОСТЬ РАБОТЫ КОМПАНИЙ ПО СТРАХОВАНИЮ ЖИЗНИ

**Анотація.** Страховой бизнес – составная часть любой экономики. Его важность не поддается сомнению. Страхование как продукт позволяет снизить риски, которые порождаются ошибками операционной деятельности бизнеса и стихийными бедствиями, компенсировать убытки, связанные с реализацией упомянутых рисков. Это, в частности, имеет большое значение в контексте глобально ориентированной операционной деятельности бизнеса и необходимости обеспечения социальной безопасности, а также при осуществлении пенсионных программ.

**Ключевые слова:** страховые агенты, эффективность, страхование, менеджмент, личность, обеспечение.

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### ВПЛИВ ОСОБИСТОСТІ СТРАХОВОГО АГЕНТА НА ЕФЕКТИВНІСТЬ РОБОТИ КОМПАНІЙ ЗІ СТРАХУВАННЯ ЖИТТЯ

**Анотація.** Страховий бизнес – складова будь-якої економіки. Його важливість не підлягає сумніву. Страхування як продукт дозволяє знизити ризики, що породжуються помилками операційної діяльності бізнесу і стихійним лихом, компенсувати збитки, пов'язані із реалізацією згаданих ризиків. Це, зокрема, має велике значення в контексті глобально орієнтованої операційної діяльності бізнесу та необхідності забезпечення соціальної безпеки, а також при здійсненні пенсійних програм.

**Ключові слова:** страхові агенти, ефективність, страхування, менеджмент, особистість, забезпечення.

**Introduction.** Selling life insurance products demands a special kind of people whose abilities to convince clients to buy the company's products are crucial for its effectiveness. So the knowledge in the area of agents' personality, enables to achieve the competitive advantage.

**Purpose.** This article shows the empirical relation between the insurance agents' specified personality traits and the efficiency of life insurance companies in context of future perspectives of development, basis on meta – analysis proceed in the three domestic and one international scientific projects in years 2007–2012<sup>1</sup>. In this paper, it is also shown the motivators of most efficient insurance agents and opportunities / threats related to provision driven rewarding system and its consequences.

**Brief literature review.** Such scientists as K. Rogozinski, P. Costa, R. McCrae, Z. Janowska, Ph. Zibardo, V. Zeithaml, M. Bitner, J. Carlzon, R. Norman, K. Irons and others were

<sup>1</sup> Scientific projects: «Identification of talent management dissemination level in life insurance companies», «Identification of competency management dissemination level in life insurance companies», «Identification of efficiency ratios implemented in level in life insurance companies».

engaged in research in the context of relationship marketing effectiveness.

**Results.** The part of society at an unproductive age, cannot rely on desirable financial protection from the government, so they purchase insurance policies, first of all life and pension ones, therefore insurance business become unusually important social device, enabling solution for many problems of the aging societies. There is high probability, according to existing demographic prognoses, that the situation mentioned above, in the coming years relates to Poland. In references to the necessity of executing the operating activity by insurance companies driving through the mediators, from which clients on Polish insurance market, require higher and higher competencies. That causes many problems to gain over the men's cooperation with desirable competencies.

Aristotle [1] understood the personality as a potential of human being. Many years later, in 1921, F. Allport [2, p. 6340], during his searching for the «personality» definition attempts noticed, that this term is very difficult to define in the quantitative context. According to his opinion, the only suitable criteria were qualitative ones, and, what is particularly important, related to human environmental activity. Although the

term of personality is used in many different meanings, it seems to be authorized to divide them in two categories [3, p. 8310]: skills and dexterity in relations with other people in social contacts<sup>2</sup>, or the most clear impression one makes on the others<sup>3</sup>.

In the relation of interpreting difficulties, the number of personality definitions arose. In 1937, G. Allport in his literature review [4] identified over 50 different definitions, which were categorized in two notion types, biographic and biosocial approaches<sup>4</sup>. According to the other approach, it is postulated to construct one common cumulative definition that described personality in the context of quantitative ratios<sup>5</sup>. The next ones focused on integrating or organizational personality function [5, p. 73–87] and suggested that the personality it is the main factor that puts in order and coherence all the individual human activities. C. Dowd claims the significance of personality in the process of one's adaptation to the external environment, shows these individual characteristics that differ an individual from others.

Many of personality theories there were results of the explanation attempts driven to clinical phenomena such as hysteria or adaptation issues, this is why the assumption of personality traits constancy, proclaimed by R. McCrae and P. Costa [6, p. 51–87] was met the incredulity<sup>6</sup>. This observation became the foundation for two new theories<sup>7</sup> – D. McAdams [7, p. 299–313] claimed, that personality should be understood as threefold structure<sup>8</sup>. He admitted, traits were mostly constant, but simultaneously noticed that personal involvements<sup>9</sup> and life histories<sup>10</sup>, were under changes in the context of situation and life cycle<sup>11</sup>, P. Costa and R. McCrae, proposed the different model, which implemented differentiation between constant and changing personality elements. Finally, these elements were treated as related personality system components. In FFT model the biological foundations in external influences there are «entries» which represent common interactions of personality, organism and environment. The objective biography it is «the exit» – all the one's activities, thoughts, feelings for whole life<sup>12</sup>. Three central components are:

- basic tendencies,
- characteristic adaptations,
- self estimation<sup>13</sup>.

The significance of the model there is differentiation between basic tendencies and characteristic adaptations, enabling the explanation of personality constancy. The basic tendencies there are one's abstract abilities and predispositions, on the contrary, characteristic adaptations there are specific acquired structures<sup>14</sup>. The basic tendencies mentioned above can be constant but characteristic adaptations cannot.

Until 90-ties of the last century, the utility of personality tests

was perceived rather negatively<sup>15</sup>, probably as the result of R. Guiona and R. Gottier's conclusions and their quantitative conclusions [8, p. 135–164]. The similar opinion was claimed by N. Schmitt, R. Gooding, R. Noe and M. Kirsch [9, p. 407–422]. They proved that personality tests used for employee selection had very low utility to evaluate future efficiency and suitability of workers<sup>16</sup>. But, in the next years it was possible to notice more optimistic opinions [10, p. 77–86]. The authors say that the real predictive value of personality tests was not considered because the lack of common organizational trait structure – the researchers, in early 90-ties began to create and adapt the FFT rules to selection oriented ones.

The successive research indicated that, in the managers' opinions, the significance of personality traits is equally important as overall intelligence. Additionally, the great number of meta-analysis [11, p. 9–30] helped to understand the theoretical and empirical nature of personality composition relations<sup>17</sup>, and job efficiency. The FFM implementation enabled to give the precise explanations, referring to the nature of personality processes, identified on the basis of long term accumulated data. The meta-analysis proved the authenticity of positive correlation of two model traits<sup>18</sup>, as predictors of future occupational success of employees. The mentioned traits describe the availability of an individual to follow the management instructions or increase the efforts to goal achievement<sup>19</sup>, as well as the ability to relocate resources i to accomplish tasks<sup>20</sup>. As a consequence, these two traits can be used as motivation at work ratios.

The mentioned research showed the applicability of the remaining traits<sup>21</sup> as job efficiency predictors, but this thesis is suitable only particular kinds of work<sup>22</sup>. The author demonstrated the existence of the relation between the level of extroversion and efficiency in these jobs, which are focused on client influence or power and status oriented ones [12, p. 359–372]<sup>23</sup>. On the contrary, the high level of agreeableness is particularly important in the jobs, where the human interaction intensification is crucial<sup>24</sup>. In that case – the agreeableness can be the most representative ratio of work success. Finally, the openness to experience is the basis of efficiency in the jobs, which require the creativity and change adaptation.

The researches focused on work efficiency problems proved, the one's personality determines many work related behaviors and results are important both for organization and management [13, p. 83–120]. It was noticed, that there was a relation between the personality traits and unproductive behaviors, such as absence, sluggishness, job satisfaction, safety and effectiveness. K. DeNeve and H. Cooper also proved that a similar relationship there is between personality traits and individual life quality, marriage happiness and length of life, what could be the ultimate criterion. What is additionally important,

<sup>2</sup>The individual personality is evaluated under circumstances of one's ability to create positive reactions to others in different occasions.

<sup>3</sup>«Aggressive personality», «indulge» or «anxiety». In each of examples the observer chooses the trait or preference which is highly characteristic for an individual and which is probably the important part of overall impression. The personality is reflected in that.

<sup>4</sup>The bio-social definitions are close to current understanding «personality». An individual has only personality that reflects in other people reactions. Allport stood at opposition against this proposition and claims that the biophysical are suitable, where the personality has a strong background in traits and preferences of an individual. Referring to mentioned definitions, the personality consists of both organic and perceived aspects and can be related to specified individual preferences, which are possible to describe and measure.

<sup>5</sup>In this application the term of personality includes all the traits assigned to an individual by the evaluator, enumerated terms, which are the most important in the description and claims that the personality consists of them.

<sup>6</sup>According to the authors' opinion, the main difference lays in the personality definition, where traits were differ from relations, habits, self-estimations etc.

<sup>7</sup>Presented in 1992 during the symposium of American Psychological Association «Is personality possible to change?»

<sup>8</sup>Traits as disposals, personal involvements, life histories.

<sup>9</sup>Current goals, plans, etc.

<sup>10</sup>Self estimation.

<sup>11</sup>McAdams claims that these levels are independent each other. Each of them should be perceived independently [7, p. 302].

<sup>12</sup>Of course, it differs from a narrative life history, which is subjective so it can be inaccurate and selective.

<sup>13</sup>The self estimation is included in characteristic adaptation but it is the different sociological subject.

<sup>14</sup>Which are created in the results of one's interaction with environment.

<sup>15</sup>Employment, promotion.

<sup>16</sup>Ibidem, p. 420.

<sup>17</sup>Particularly traits in Big Five Model.

<sup>18</sup>Conscientiousness and emotional stability.

<sup>19</sup>Conscientiousness.

<sup>20</sup>Emotional stability.

<sup>21</sup>Extroversion, agreeableness, openness to experience.

<sup>22</sup>M. Barrick, 2001.

<sup>23</sup>In majority in management and sales, being social, assertive, energetic, and ambitious there is the main criterion of job efficiency.

<sup>24</sup>Under the circumstances that the job needs cooperation with others.

the similar relations were not proved in the intellectual capability area [14, p. 176–185]. Yet, these skills may determine the perception level of information and knowledge [15, p. 239].

In life insurance industry, according to the complexity of life insurance product, the role of first contact personnel is crucial as well as in the rest of service sector. Therefore, the result of insurance company success could be determined by the insurance agents' traits [16, p. 19]. Referring to scientific projects 2007–2011 it is authorized to claim that there is a strong relation between intermediary's traits and job efficiency, although this influence is different in the context of particular trait. The openness to experience, distinguished in the FFT model is not seen at the same extent in all insurance companies' coworkers.

Nobody of PZU agents reached results above the standard and in the rest of companies, the percentage is accordingly from 14,29% (NN) to 19,05% (AIG). However, in the context of results «below standards» the PZU agents are «leaders» – with the score of 29,55%, where, in other conducted companies from 13,42% (CU) to 19,05% (AIG). In this part of research PZU agents has reached the scores which are statistically different from other companies.

This analysis, according to results of agency work efficiency, perceived as the number of appointments before the finishing the life insurance contract<sup>25</sup>, allows unambiguously to confirm that the openness to experience defined by R. McCrae and P. Costa determines the insurance service effectiveness.

Agents of Commercial Union, where the «openness to experience» trait was identified most rarely below the standard, usually close their insurance contract during the first appointment and the percentage of agents' who need more than four appointments to sell insurance policy was the lowest – 2,57% (fig. 1).

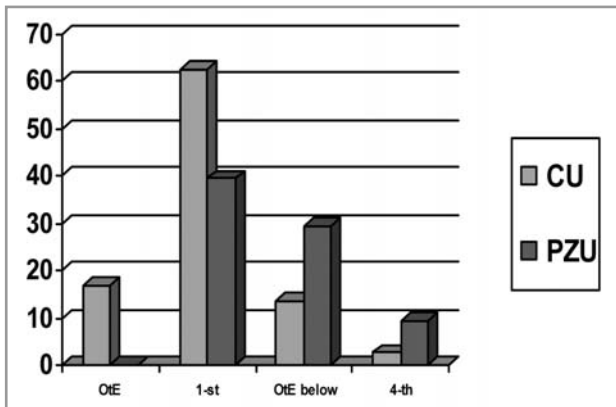


Fig. 1: Relation «openness to experience» trait and 1-st and 4-th appointment contract sales  
Source: Own research

The «openness to experience» trait was not seen in PZU agents population at above standard level, yet «below standard» one was reached twice as much as in the Commercial Union. The percentage of one appointment deal was lower than in CU and forth deal was almost twice higher than in CU.

Therefore the efficiency as the one of market oriented functions of insurance companies is determined with «openness to experience» at the level, which is perceived as average in organizations.

The projects' results additionally imply that «openness to experience» trait in average quantities in organizations involved in life insurance sales is very significant too. It enables the goal achievement at the extent similar to «openness to experience» of the highest-level institutions (fig. 2).

Both AIG and NN companies, in which the openness to experience is very high, insurance agents fulfill the organizational goals during the second appointments, however the efficiency of CU is much higher. On the contrary, the «openness to experience» trait has the lowest value in PZU.

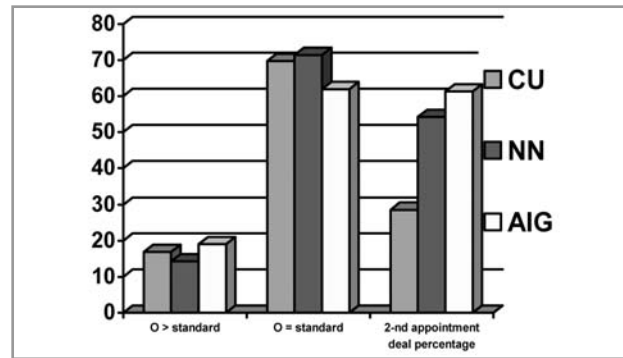


Fig. 2: The relation between «O» trait and the percentage of 2-nd appointment deals  
Source: Own research

There is the similar situation in the context of extraversion according to the organizational effectiveness (fig. 3).

The sales organizations, in which the extraversion among

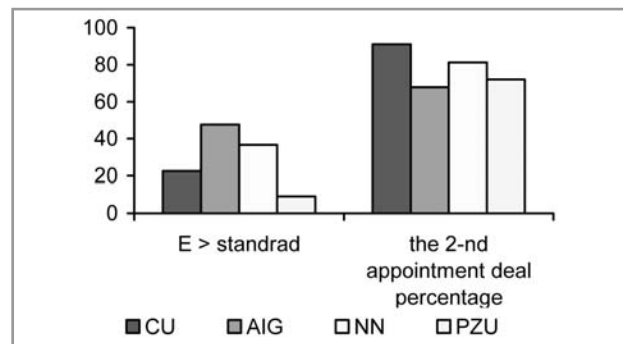


Fig. 3: The relation between the extraversion and efficiency  
Source: Own research

agents is widely seen, reach the higher level of efficiency in the opposition of introversion predominated ones. Yet, it was noticed that there is a possibility of negative extraversion results existence in life insurance companies.

Referring the research results in the context of AIG agents, the variation of social actions quality, when exceed 21,5%, causes effectiveness negatively – the agents need more appointments to deal the life insurance contract. Further analysis implies, the growth both consciousness and agreeableness, neuroticalness, are usually the next factors of efficiency decreasing (fig. 4, fig. 5).

Assuming the research results it seems authorized to claim that there is directly proportional between the insurance agents' efficiency and the personality traits such as: «openness to experience» and extraversion. Yet, the mentioned relation according to the «consciousness», agreeableness and neuroticalness is valid only in a specific range. After exceeding, the efficiency collapses. In that way, it is possible to make an impact on individual competencies.

As mentioned above, an insurance agent there is one-person institution in Poland. The insurance company only supports the product, so there are limited possibilities to control one's action, especially if the sales is being proceed at client's home without any third party involvement. In 2003 there began the law suits against the life insurance companies and numerous resignations, as a results of unethical activities of insurance agents. On the contrary, the insurance companies which paid commission to their agents have reached the largest market share and highest level of effectiveness. PZU Zycie is still the largest player on the polish life insurance market, yet its market share fall down from 100% in 1990 to 29,6% in 2012. The other life insurance companies reached the result, as follow: TUnZ Europa – 12,5%, TUnZ WARTA – 8,0%, TUnZ ING – 6,4%, TUnZ Nordea Polska – 6,2%, TUnZ AVIVA<sup>26</sup> – 6,1%. The six

<sup>25</sup> This ratio reflects in market shares practically, year premium per one agent, the number of active agents.

<sup>26</sup> Former Commercial Union.

biggest life insurance companies have collected near 70% of whole market – the concentration level is very high – according to the conducted research it seems to be authorized to claim, that the result of mentioned situation is the approach to competency management. But even implementing this process will not guarantee avoiding problems – the main, competency based problem, there is both wrong-selling and asymmetry of client and agent knowledge [17, p. 295–302] and causes a lot of billion dollars damages in United States of America. Additionally, the insurance agent, as an entrepreneur prefers the bigger provision for his successful sales, so perceives the strategy of represented insurance company selectively [18]. Referring to research results, the level of management orders executing<sup>27</sup> differs in studied insurance companies.

PZU agents more often ignore all the strategy directives that the others. The research results show the significant differences between PZU agents and other companies. The selective acceptance there is a result of provision system rewarding<sup>28</sup>. For insurance companies, the first two years of insurance policy are unprofitable<sup>29</sup> – so they prefer, in the context of effectiveness to life insurance policy last longer than mentioned period, when both the costs of risk and mediation are low. Yet, the agents are not financially interested to maintain the relations with clients over two years<sup>30</sup>.

The insurance agents claim the lack of provision system transparency and the numerous changes of their contracts. This is why they are «short-seeing».

Weber's approach to competencies, where it is claimed that competencies mean authority only, had stopped competency driven activities. Yet, the competency management is in constant progress, particularly in life insurance companies, which perceive competencies as the derivatives of skills, which are determined with personality traits, attitudes and knowledge. The latter it is the reflection of qualifications and experience [19, p. 17]. It is underlined that the competency management fulfils 18 of 21 human resource management functions [20, p. 188] – the main expectation of competency management system it is to increase both organizational effectiveness and employees' satisfaction. According to the life insurance sector development, the competency management it is the process of acceleration overall development. Is it authorized to claim that the degree of mentioned acceleration is not the same, depends on the kind of the service. It is particularly seen in life insurance organizations.

As the result of conducted research of the insurance agent's competencies [21], there is affirmed existence of positive correlation of insurance agent competencies profile and his efficacy. According to the research, the difference of assimilating the individual competencies between agents reaches even 46%.

**Conclusions.** This was the legal interdiction for operating activity through foreign life insurance companies in Poland till the year 1990 – that is probably the reason of PZU Zycie S.A superiority. The data analysis from 1991–2011 as well as the results of conducted investigations, implies the conclusion that the loss of 77% shares of life insurances market in considered period by PZU Zycie S. A on behalf other – new on polish insurance market companies, seems to be the derivative of lacks of competencies both institution and the agents. Therefore, the competency management, according research results, will be the main criterion of gaining the competitive advantage for life insurance companies in the future. Although the mentioned

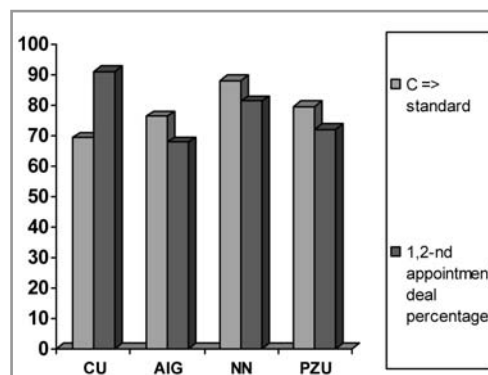


Fig. 4: The relation «C» and «A» traits  
Source: Own research

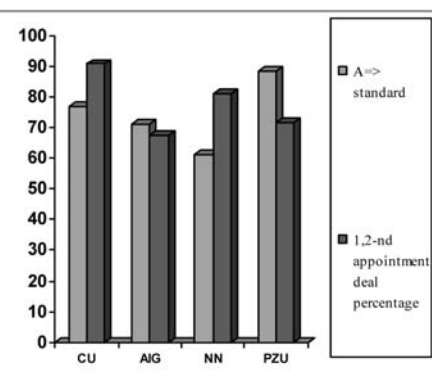


Fig. 5: The relation «A» trait and 1,2-nd appointment deals  
Source: Own research

assumption, in the context of other unpredictable circumstances, cannot be completely certain, the lacks in the competency management area will be an axiom of company economical disorder. In opinion of B. Balewski [22, p. 67], this situation is also characteristic for other business branches.

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Received 12.01.2013

<sup>27</sup> Strategy acceptance.

<sup>28</sup> For successful sales the insurance agent receives very high, even reached 120% of first – year premium provision. In following years the payment is smaller (from 12,5% to 2% of premium).

<sup>29</sup> The most of collected premium they have to pay as a provision to agents.

<sup>30</sup> In AIG and PZU, after 6 years of the insurance agreement, the agents do not gain ane provision.