

Insurance Agency Compensation in Focus

A Value-driven Blueprint for
Sustainable Agency Growth





Introduction

Agency distribution continues to be the main distribution channel for life insurance across Asia. However, traditional agency compensation models that rely heavily on large first-year commissions (FYC) are creating challenges such as low agent activation, weak customer persistency, and shrinking margins.

Carriers that adapt by emphasizing quality, transparency, and digital tools are not only retaining agents more effectively but also scaling across markets and securing stronger long-term profitability, positioning themselves ahead of competitors in a rapidly evolving industry.

This thought leadership piece examines Asia's compensation landscape through publicly sourced data, identifies structural inefficiencies, and outlines a call to action.

The Current State:

Legacy Compensation Model Is Failing

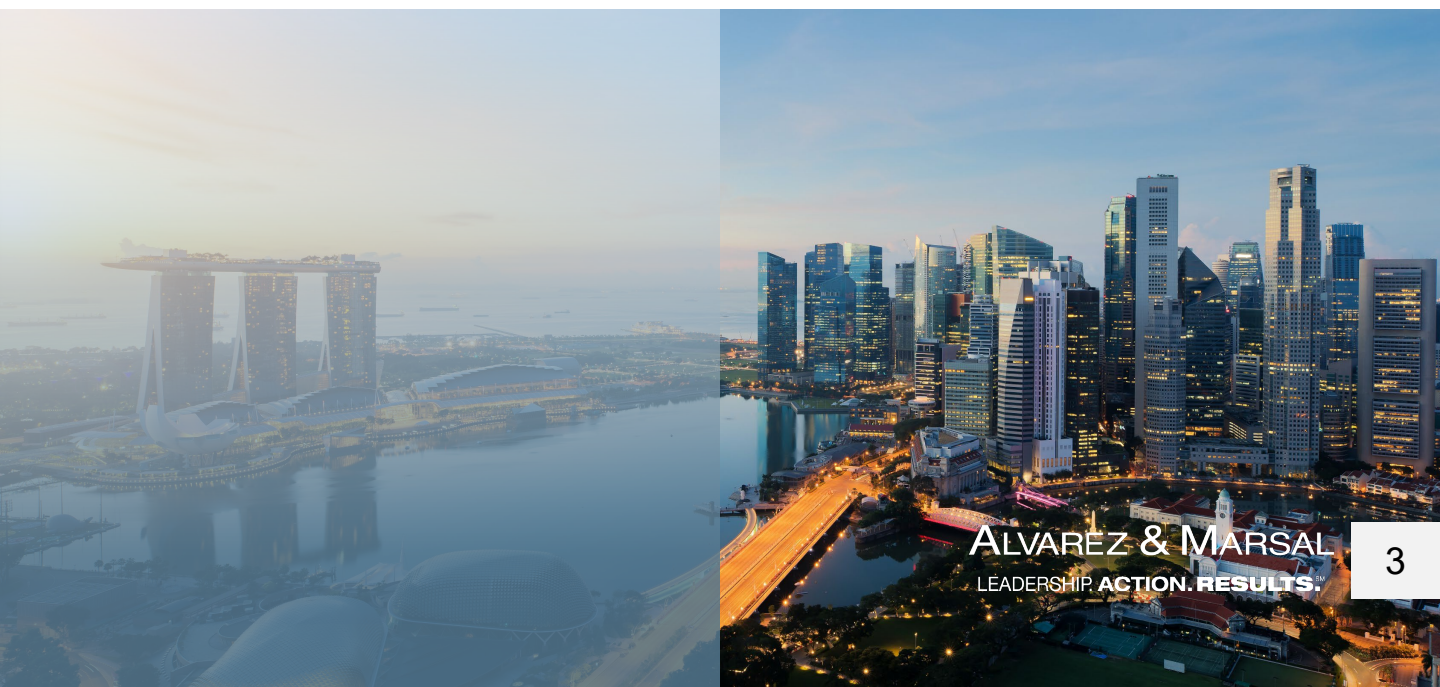
Asia's insurance market is very diverse, with both mature markets (Singapore, Hong Kong, Japan and Australia), and fast-growing emerging markets (Indonesia, the Philippines, Vietnam, Thailand, Malaysia, China and India). Even though digital channels and bancassurance are expanding, agency is still essential for explaining complex products, building trust with customers, and managing relationships with the high-net-worth (HNW) segment.

Three growing pressures are making agency compensation models that rely mostly on FYC unsustainable:

01

Margin Compression & Product Mix Shift

Since the Covid-19 pandemic, Regulators and customer demand are pushing carriers to focus more on protection and health products, which bring in relatively lower first-year profits compared to traditional savings or investment-linked plans. Despite this, agency compensation is still tilted toward products that offer large ticket sizes with high commissions but often lead to early policy cancellations. Carriers that pay over 50%–70% of FYC on products with low first-year ROI face serious profitability challenges unless they can improve customer persistency or cross-selling opportunities.





02 Agent Experience & Retention Challenge

Agents increasingly view FYC-heavy plans as short-term traps, pushing them toward transactional sales rather than long-term relationship building. Agents looking for a career and meaningful experiences may be forced to leave the industry quickly; often, their sales drop sharply after an initial burst, and they become inactive or disillusioned. According to open-source data, nearly 89% of producers quit within 3 years under traditional compensation structures, creating constant recruitment and training costs for carriers.¹

03 Regulatory Intensification

Regulators across Asia are tightening rules on agency compensation, aiming to reduce mis-selling and improve consumer protection. This makes traditional FYC-heavy models increasingly unsustainable.

Key actions from Asia's regulatory bodies²:

- Singapore: Strict rules for complex products like ILPs demand higher transparency and careful agent conduct.
- Hong Kong & China: Authorities are tightening oversight on agent behavior, capping commissions, and promoting protection-focused products to reduce mis-selling.
- India: Regulators require better disclosure and customer retention, pushing insurers to reward long-term service instead of just upfront sales.

1. Sonant AI, "Why 89% of Insurance Producers Quit Within 3 Years"

2. Synthesize from (Re)in Asia, "Asia Pacific Insurance Regulation"; Norton Rose Fulbright, "Insurance Regulation in Asia Pacific, 2025"

The Shift:

From Volume-based to Value-based Compensation

The Best Practices

Leading Asian insurers are redesigning agency compensation models to prioritize long-term value over short-term volume. They are shifting how they pay and incentivize agency forces, with greater emphasis on customer persistency, cross- and up-selling, compliance, and team well-being. Instead of relying on simple FYC multipliers, they are moving towards flexible, tiered systems that are digitally tracked and aligned with long-term performance.



Activity & Persistency Weighting: Allocate a portion of variable compensation to 13- and 25-month persistency, compliance scores, suitability documentation and NPS, etc.



Clawback Mechanisms Enforcement: Implement mechanisms where commission paid upfront but subject to clawback if the policies lapse within 13-25 months.



Tiered Incentive Design: Ensure MDRT and top-performers are properly rewarded and incentivized. Avoid stacking confusing or duplicative incentives on top of base commission.



Rookie Agents Acceleration: Kick-start rookie agent success with a financing program that accelerates early case closures and tracks key activities (e.g., digital tool adoption) to boost growth beyond year one.



Call to Action:

90-180 Day Transformation Roadmap

Phase	Action	Stakeholder	Outcome
Days 0-30: Diagnostic & Baseline	Conduct carrier-wide comp diagnostics: <ul style="list-style-type: none"> • Compensation structure • Contract maintenance • FWA prevention measures • Effectiveness of overrides and bonus 	<ul style="list-style-type: none"> • CDO/ CAO • CFO • Compliance & Control 	<ul style="list-style-type: none"> • Baseline scorecard • Enforcement gap mapping • Stakeholder RACI mapping
Days 30-120: Compensation Model Update	<ul style="list-style-type: none"> • Form compensation working group • Align key design principles with leadership • Model 2–3 comp variants with impact • Assess functional capabilities for implementation • Design communication and training to agents 	<ul style="list-style-type: none"> • CDO/ CAO • Head of Compensation • BDD/ BDM • Training • Compliance & Control • Communication 	<ul style="list-style-type: none"> • Pilot blueprint approved • Newly designed compensation model • Regulatory checklist passed • Agency communication finished • Agency leader training
Days 120-180: Phased Rollout & Change Management	<ul style="list-style-type: none"> • Launch pilot to targeted market • Track 13-month persistency, activation, payout errors, agent NPS • Iterate based on feedback 	<ul style="list-style-type: none"> • Distribution Leadership • BDD/ BDM • Training • Change Management 	<ul style="list-style-type: none"> • Pilot KPIs met <ul style="list-style-type: none"> – Persistency +10% – Activation +10% – NPS +15 pts • Scale plan approved

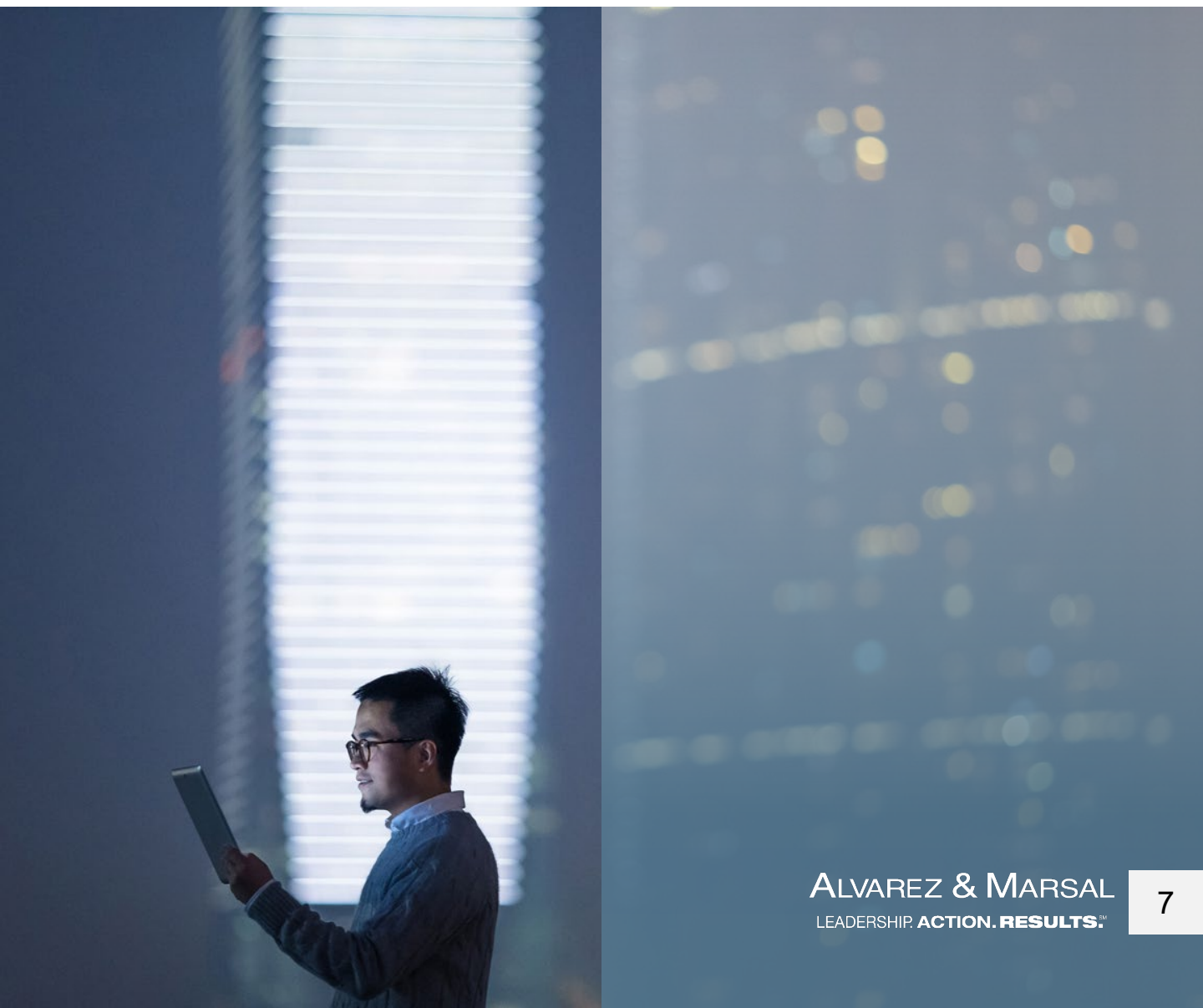
Next Step for Leadership

Commission a 4-week Agency Compensation Diagnostic to quantify current-state leakage and agent income volatility. Use these insights to secure board approval for a step-by-step, market-specific redesign, with clear ROI targets and structured input from agency forces throughout the design process.

Conclusion

Agency compensation is no longer just a back-office administrative task; it is the primary behavioral lever shaping distribution quality, regulatory compliance, and long-term profitability for carriers across Asia. As profit margins tighten and regulatory requirements and agent expectations rise, insurers that continue to rely on opaque, FYC-heavy models will face ongoing turnover, lost profits from policy lapses, and weaker sales channels. Conversely, those that build clear, quality-focused, and digitally supported compensation systems will achieve stronger results and greater agency loyalty, positioning themselves for sustainable, long-term growth across diverse Asian markets.

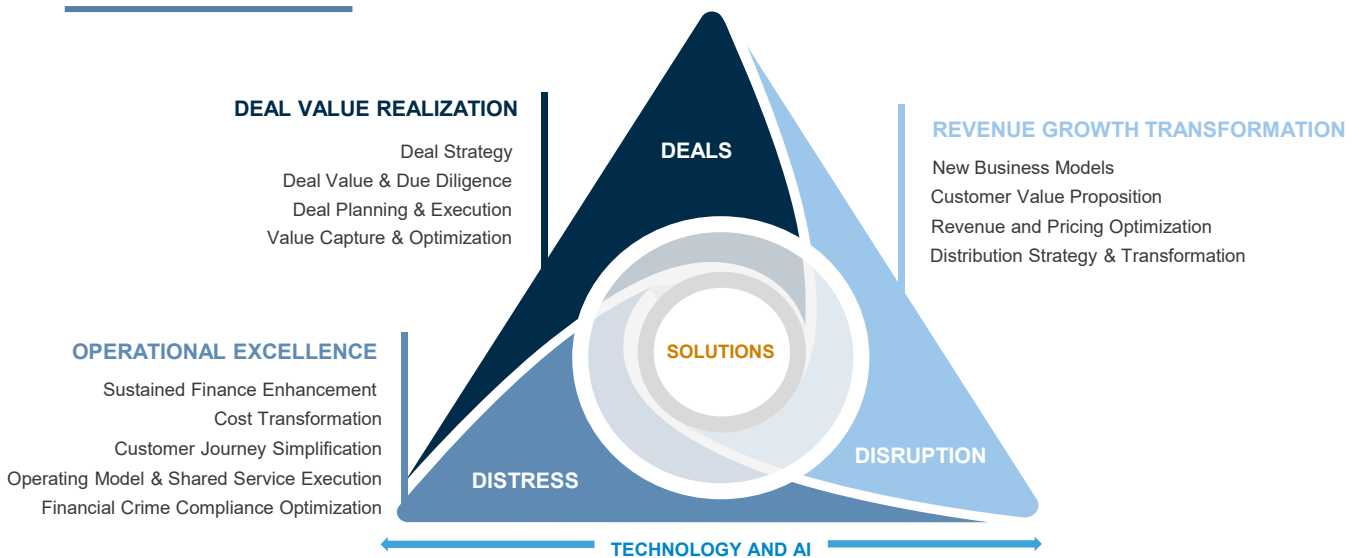
The problem statement is no longer “*Whether carriers in Asia should modernize agency compensation*”, but “*How fast carriers can execute it with accuracy, regulatory alignment, and real buy-in from agency forces*”.



About A&M FSIG

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