



NAIFA SURVEY: IMPACT OF MULTI-STATE LICENSING REQUIREMENTS ON PRODUCERS

The National Association of Insurance and Financial Advisors (NAIFA) sought information from its membership on the current insurance licensing regulatory system and its impact on the clients NAIFA members serve. This paper details the results of a 2012 survey of 1694 NAIFA members. NAIFA believes the results are reflective of our membership as a whole.¹ It illustrates the cost in terms of time and money that multi-state licensing requirements impose on NAIFA members and the negative effect that multi-state licensing often has when clients must leave their trusted agent or advisor when they move to a different state.

KEY FINDINGS:

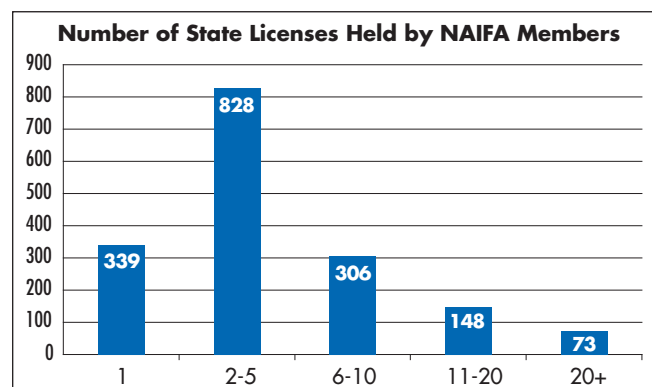
1 80% of the nearly **1700 agents** polled indicated they were licensed in **2 OR MORE STATES**.

“Licensing needs to be streamlined. Each state has different requirements and they constantly change. It is ineffective and borderline impossible to continually stay in compliance with each state. Some states require fingerprints, some do not. Some states require exams on certain products, some do not.”

— NAIFA Survey Participant

“It’s a pain to be licensed in multiple states and I would be licensed in a lot more if it were not such a hassle and if it were not so cost prohibitive.”

— NAIFA Survey Participant



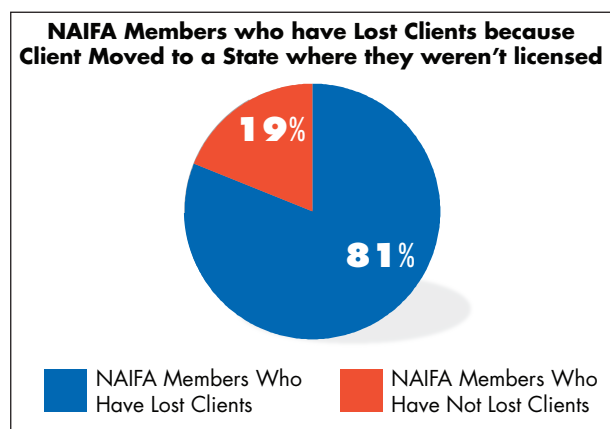
2 80% of NAIFA members surveyed have lost clients who moved to a state in which the NAIFA member was not licensed. **12%** of survey respondents have lost **OVER 50 CLIENTS** due to their clients moving to states in which the producer was not licensed.

“Every time a client moves to a new state, we are forced to analyze if the cost/benefits of the new licenses and regulations is worth continuing to serve a client instead of just continuing with our lifelong relationship and goal to serve the client their family. Everyone loses...”

— NAIFA Survey Participant

“The most frustrating thing is when a client moves out of state, I need to get licensed in order to service them, but may never sell them another product. Within a few short years, the cost to maintain the license is more than the commission earned.”

— NAIFA Survey Participant



1 Krejcie, Robert V., and Daryle W. Morgan. “Determining Sample Size for Research Activities.” *Educational and Psychological Measurement* (1970): 607-610.

NEW SURVEY: **IMPACT OF MULTI-STATE LICENSING REQUIREMENTS ON PRODUCERS**

3 Agents spend about **\$225 PER YEAR** on insurance licensing fees plus more than **\$350 PER YEAR** on insurance-specific continuing education courses. Costs add up as producers must obtain and maintain licenses in multiple states.

“High, multiple licensing fees are detrimental to client service.”

— NAIFA Survey Participant

“The job of an agent is already extremely hard, and the additional numerous requirements make it nearly impossible for someone who’s just starting out in the industry. It’s very difficult to find the time to do our jobs properly and worry about so much compliance and requirements from different States at the same time, and a huge financial burden as well, particularly for a young agent who’s not making nearly anything to begin with.”

— NAIFA Survey Participant

4 Agents spend **29 HOURS PER YEAR** complying with insurance licensing requirements and an additional **28 HOURS** on insurance-specific education courses.

“It’s too time consuming, complex and costly to deal with current licensing issues—taking time away from advising clients.”

— NAIFA Survey Participant

“More paperwork and compliance makes it harder to serve my existing clients with the attention they need.”

— NAIFA Survey Participant

5 **28%** of NAIFA members hire staff to manage their licensing compliance requirements. Nearly **10%** of them must hire **TWO OR MORE** staff members to handle their insurance licensing obligations.

“Cost doesn’t include non-productive time costs of being in class or taking online courses. Furthermore, I have two staff people who are also required to take C.E. classes, and they are compensated for their time and the cost of the class.”

— NAIFA Survey Participant

OTHER BURDENS ON AGENTS:

MONEY	TIME	RESOURCES
\$225 PER YEAR Amount Agents Spend on Licensing Costs	29 HOURS PER YEAR Amount Agents Spend Complying with insurance licensing requirements	28% of NAIFA members HIRE STAFF to manage licensing compliance requirements
\$350+ PER YEAR Amount Agents Spend on Insurance-Specific Continuing Education Courses	28 HOURS PER YEAR Amount Agents Spend on Insurance-Specific Education Courses	10% of NAIFA members must hire 2 OR MORE staff members to handle insurance licensing obligations

NAIFA comprises more than 600 state and local associations representing the interests of 200,000 members and their associates nationwide. NAIFA’s members are bound by NAIFA’s Code of Ethics and are full time professionals in insurance and related financial services. Founded in 1890 as The National Association of Life Underwriters, NAIFA is the nation’s oldest and largest insurance and financial services membership association. The vision of NAIFA is to protect and promote the critical role of insurance and insurance products in a sound financial plan and the essential role provided by professional agents and advisors. NAIFA’s mission is to advocate for a positive legislative and regulatory environment, enhance our members’ business and professional skills, and promote the ethical conduct of our members who assist the public in achieving financial security and independence.