

# Producer Licensing

## Pre-Licensing Education Mandate: Question & Answers

By: NAIFA Government Relations, Updated July 2023

### **Q: What is pre-licensing education?**

A: Pre-licensing education is coursework taken before an insurance licensing examination. It is NOT education taken after you are licensed, known as continuing education or CE.

### **Q: What is a pre-licensing education mandate?**

A: States with pre-licensing mandates require candidates to complete an approved education course of a certain number of hours, typically 20, and often in person.

### **Q: Isn't pre-licensing education required for all producers?**

A: No, 27 states plus the District of Columbia do not require producers to take pre-licensing education. Like FINRA, where there are no requirements for pre-education for Securities Exams, including Series 6, 63, 65, and 7, which are common for advisors in our industry, producers are free to study in a way that best suits their needs.

### **Q: Does removing pre-licensing education mandates result in less prepared exam takers or lower exam pass rates?**

A: No, according to the NAIC and subsequent state-level data, a pre-licensing mandate does NOT help more applicants pass the exam, and there is no correlation between passing rates, scores, and mandated education requirements.

Further, data from states without the mandate show that producers still study for the exam, but in different ways, including taking a course at a university, online, using a study guide, or receiving training from an insurance company. Less than 4% of respondents indicated that they didn't study, many of whom likely didn't pass the exam.

### **Q: Why does a pre-licensing education mandate exist?**

A: Mandated pre-licensing was advanced in the 1980s under the guise of "protecting consumers" and "preparing agents to pass the exam." On the NAIC level, concerns were raised that exams were too easy to pass and that states did not regularly update

questions. Education mandates were introduced as barriers to entry in states where some felt exam integrity practices were inadequate. It remains a barrier, even though the initial concerns no longer apply.

**Q: What do states do to ensure that the exam remains secure and adept at judging sufficient knowledge to ethically serve clients in the insurance industry?**

A: Gone are the days of bubbling in circles and scantron machines. Today, many states have exam review boards that regularly review and update questions. These boards are staffed by various insurance professionals and, in many cases, by at least one NAIFA member. Further, most states contract with outside vendors for exam administration who leverage a large pool of rotating questions that are delivered randomly, making it nearly impossible to game the system, as was the concern over 40 years ago.

**Q: How do pre-licensing education mandates create a barrier?**

A: Requirements that set a specific number of hours can exclude those applicants who work one or two jobs and do not have the luxury of vacation days or time off to dedicate to a state-mandated, multi-day course of study. Removing the mandate would help them prepare independently and within their budget. Pre-licensing courses can range from \$100 - \$500. Taxpayer-funded department costs are spent approving courses, approving instructors, auditing compliance, and tracking course completion certificates.

Further, rules that require education in a classroom or an online proctored setting disadvantage women, caregivers, and others who may be responsible for childcare or other domestic and caretaking duties. It could be preferable to study early in the morning or late at night when live courses, webinars, or proctoring are unavailable.

And lastly, all applicants should be free to study in the way that best fits their learning style. Mandating attendance in a classroom or for a set number of hours does not guarantee that an applicant will learn that material; ultimately, the exam remains the appropriate test of required knowledge.

**Q: Why should we remove barriers?**

A: There are many important reasons, including that the current advisor force is aging, with more than 50% over 55 transitioning toward retirement. Broadly, recruitment and retention are flagging. As younger generations enter the workforce and prime earning years, they look to work with advisors with whom they have shared life experiences.

Data shows that certain communities, including women, Hispanics, and African Americans, are **underrepresented in the insurance profession**. Perhaps not surprisingly, many of these communities are also significantly underinsured.

**Finally, new advisors are potential new NAIFA Members.**

**Q: Does removing pre-licensing education barriers result in more unqualified agents in the market?**

A: No. NAIFA maintains its unwavering commitment to high professional standards and ethics. Removing the pre-licensing mandate does not change the exam requirements. The exam is the primary indicator of the adequate knowledge required for licensure to sell insurance products. Given the broader question bases and exam review procedures, exam takers today are expected to know more material for the exam than when the mandates were introduced. All experienced producers know that exams and pre-licensing education were never meant to be the sole source of agent training, much of which carriers require for further appointments/contracts. As such, maintaining strong continuing education requirements remains a top priority.

Additionally, there has been NO evidence linking pre-licensing mandates to fewer consumer complaints. An industry review of complaint data also shows no relationship between pre-licensing hours and the number of consumer complaints in a state.

**Q: Why should there be a mandate for pre-licensing education when there is no public policy benefit?**

A: Regulation for the sake of regulation is never good public policy. Pre-licensing education mandates are an outdated and ineffective policy that costs applicants, taxpayers, and consumers. Further, they serve as unnecessary barriers to the industry, particularly for marginalized and underserved communities.

**Additional Questions? Contact Us.**

For additional questions or assistance, please contact the NAIFA State Government Relations, Bianca Alonso Weiss at [bweiss@naifa.org](mailto:bweiss@naifa.org) or visit [advocacy.naifa.org](http://advocacy.naifa.org).