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Dr. LaVine has a combined 30 years of experience in various roles across the insurance industry, including the life, health and P&C verticals, and has also served in leadership positions in software and hardware companies. Dr. LaVine has held such roles as finance Director, Vice President of Sales Reporting, Organizational Consultant, Chief of Research and Development, and Industry Analyst.

In An Electronic Age, Why Do We Cling To Our Paper Licenses?

While most of our clients, carriers and agencies are aware that paper licenses are a thing of the past, occasionally, we run across someone who doesn't.

They cling to that cumbersome piece of paper (well in many cases, it's an electronic pdf) as if it was a life preserver. Sometimes, it's because they have never questioned why things are done a certain way and other times, they are not aware of the changes in the last decade to new and better practices. Rarely, someone will require them to have the paper copy.

There are five great reasons to give up this ancient practice of requiring paper copies of a license for appointments:

1. Does not meet state compliance requirements (no state requires the carrier to have a copy)
2. Direct conflict with SILA's best practices for compliance
3. It costs over twice as much to process (\$2.50 per agent versus \$1.29)
4. Creates an unnecessary burden on the agent to provide a copy or delay in getting their appointment
5. It demonstrates to a newer generation of great sales agents that the insurance industry is not the right place for them as they prefer to use new technology (electronic).

The Securities and Insurance Licensing Association (SILA) publishes a handbook of best compliance practices. In this handbook, SILA published their survey of 50 states, DC and Puerto Rico. None of these jurisdictions required, when performing a compliance audit, a printed copy of the agent's license. All accepted a PDB call or

report to satisfy the true compliance requirement “that the carrier verify that the agent was licensed at time of sale”. A few states had some special considerations, when there are differences between the PDB report and the state electronic retrieval, such as discrepancies in timing, the information from the state is accepted.

The most significant reason behind this recommended best practice of using electronic verification (PDB report) is that the information is current. Paper copies are stale the minute they are produced. An agent’s license status can change for a variety of reasons after that agent initially prints a copy. So, when the state audits, they look at the latest verification. A complete compliance program starts with a PDB report and uses notifications to advice of any changes.

SILA recommends that carriers and agencies work together and use one of the following options:

- Agency certify they have verified license from a PDB report
- Carrier accept a soft copy of the Agencies PDB report
- Carrier runs their own PDB report

SILA also recommends that agencies and carriers pull either monthly or quarterly PDB reports. This ensures the carrier have the latest information to ensure compliance at the time of sale (required) rather than at the time of license issue. If you are a carrier who is verifying your agents manually, it is very easy to electronically access the NIPR PDB database for verification. You can also contact a reseller such as VUE software directly or visit state websites to verify. If you are an agency, new integrated SAAS based agency management and compliance systems make contracting and compliance easy through electronic contracting and NIPR integration. SAAS provides a cost effective option and might be a good time to upgrade.

Suppose you are the licensing administrator for an agency and the carrier insists on a paper copy, what can you do? Well, there are a few places that allows either you or the agent to print licenses starting with each state’s website. There are also two main State suppliers for licensing systems, SIRCON and SBS. Each supplier has about 50% market share. SBS offers free printing for new and changed licenses for the following states: Alabama, Alaska, Arkansas, Delaware, DC, Illinois, Iowa, Maryland, Missouri, Montana, New Hampshire, North Carolina, New Jersey, Nebraska, North Dakota, Oklahoma, Oregon, Puerto Rico, Rhode Island, Tennessee, and West Virginia. Agency management and contracting applications provides a link that send your agents to the SBS website to print a copy (via pdf) and this allows for uploading into the contracting system (VUE Software provides these solutions). In addition, if you have a relationship with SIRCON, the other states allow you to print a copy for a fee.

This brings up cost. A single PDB report, which covers all states, will cost from \$1.29 to \$1.80 depending on the NIPR reseller and services. Whereas, if processed manually, each license printed will cost a minimum of \$2.50 from state sites. Assume that each State's website will take you approx. 3-7 minutes to find the license, print the screen to pdf, save it locally and then attach it to the contracting paper work. Therefore processing your license electronically saves both time and money.

So now, let's recap:

- We know the states don't require paper licenses ,actually, this may cause a compliance issue as they may be out of date)
- We know paper licenses are not the Industry's best practice per SILA's guidelines
- We know paper licenses cost more and create more paper work.
- There are new tools available to do the work electronically that are more cost effective and efficient.

Take a look at your process and if you're still using paper licenses, ask yourself why? If you think it's because the carriers require it, please review SILA's best practices. In today's constantly evolving market, everyone is looking for the easy electronic solution. As mentioned before, you can go to NIPR directly, the State's website or contact a vendor to obtain easy access to electronic license verification.

VUE Software can implement solutions that will modernize your processes, save you money and attract the technology driven millennial generation (generation y) to your sales force.

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About VUE Software

VUE Software is an innovative provider of performance-driven solutions built exclusively for the insurance industry. With over twenty-three years of experience in Life & Annuities, Health and P&C Insurance, VUE Software is one of the most experienced and established Insurance Distribution Technology providers in the business today. VUE Software is leading the Distribution Modernization movement, bringing clients a solid path to revenue growth and competitive advantage.



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