

KNOWLEDGE SUPPLEMENT

6 Questions You Should Ask When Choosing a Prelicensing Provider

The Hidden Cost of Noncompliance



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Success
Starts Here

Visit us online at
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improve pass rates and
prepare your company
for success.

Selecting the wrong provider could cost you...

Did you know?

Some insurance prelicensing providers hire people to take the exam for the sole purpose of memorizing the questions on the test. Then they knock on your door and say, "We have all the answers." Still other fail to track user study times or deliver proctored exams that meet state standards.

Some of the largest insurance companies in America are falling victim to these scams. In the end, it costs them licensed agents, customers, big fines and their reputation.

Choose to partner with experts

ExamFX has a reputation for rigorous preparation that teaches candidates how to be successful agents. It shouldn't come as a surprise that our pass rates are equally impressive. It's all part of our belief that doing things the right way — meeting all state and federal standards and preparing people for a career, not just an exam — is the only way to conduct business.

What is the cost of noncompliance?

Beyond hefty fines, circumventing compliance creates far-reaching damage

\$7m

fine levied against Zenefits by the State of California in 2014

Unlicensed California insurance agent caught selling auto policies sentenced to

3 years
felony probation

\$1.2m

fine levied against Zenefits by New York regulators for unlicensed insurance sales

Tennessee regulators fine Zenefits for violating insurance requirements

\$62k

\$550k

fine imposed on MetLife for unlicensed insurance activities in 2014

\$1k fine

30 days
community labor

45%

percentage of workforce layoffs by Zenefits amid compliance controversy

Before You Begin

A checklist of questions to ask before selecting a prelicensing partner

In the hyper-competitive world of insurance, firms can't afford setbacks that may invalidate agent licenses, result in large fines, or create bad press for their brand. To make sure your prelicensing partner is setting you up for success, ask the right questions and confirm they are checking all the boxes.

1

Is your partner playing by the rules?

There are a few providers in the industry that have found themselves in trouble with state licensing boards or regulatory bodies. They often offer bottom floor pricing to move large volumes of candidates at the expense of quality and compliance.

2

Do they provide a comprehensive disclosure statement?

Don't assume all providers are playing by the rules. Ask for audited documentation to confirm their goodstanding among state and federal regulatory boards. Check their current compliance, audit history and disciplinary history to confirm they are meeting every legal requirement.

3

Do they provide audited pass rates?

Too often, many providers will claim they have amazing pass rates. Ask what tools they have in place to ensure high pass rates, how often they document those rates, and if they can prove it through third-party audited reporting.

4

Are they properly tracking in-program hours?

Many states require a minimum number of prelicensing study hours. Some providers are currently under investigation by state compliance bodies for failure to follow these regulations because they lack the technology to properly track in-program hours.

5

Does your provider have state-specific programs?

Each state has unique regulations and laws around prelicensing. Provider offerings should be tailored to each state's unique laws and regulations. Be sure to look at their pass rates and how their programs are tailored to state-specific requirements.

6

Are your candidates learning concepts or memorizing questions?

Some providers have been known to hire people who intentionally fail and retake state exams for the sole purpose of collecting questions. Students who memorize these questions don't understand the concepts behind them and struggle to answer the same question when worded differently. Memorizing is not learning and will hurt your company in the long run.

QUESTION 01

Is your partner playing by the rules?

In the past few years, there have been a number of companies and prelicensing providers that have found themselves in trouble with state regulators, putting their license holders and the companies for whom they work in jeopardy. Some have even been put on probation or banned from the industry.

Violations in prelicensing can take many forms. Some providers are not compliant with state regulations for tracking and auditing required minimum study hours; still others are not following rules regarding enlisting disinterested third-party exam proctors.

It all adds up to prelicensing partners who are cutting legal and regulatory corners to deliver a cheaper product. While this approach may save a few dollars, one visit from a regulator could result in the nullification of licensing, hefty fines and substantial reputational loss with your clients.

What can you do?

No two candidates are created equal; the same goes for prelicensing providers. While this may sound like an obvious statement, many managers will overlook key reputational and effectiveness components and simply base their decision on price alone. This could end up costing more in the long run. Noncompliant activity, (whether from a business or the provider) can result in hefty fines and a bad reputation.

Be Aware

- Evaluate your provider and their offerings from top to bottom
- Don't overlook key reputational components
- Don't base your decision on price alone

QUESTION 02

Do they provide a comprehensive disclosure statement?

There's too much at stake for your company and its employees to assume a precicensing partner is doing things by the book. The reason some providers do not follow the rules is simple: many states don't have the resources to proactively audit every provider. This allows them to reduce pricing and take advantage of clients who don't do proper background checking. Unfortunately, this responsibility has fallen on the shoulders of the insurance companies who wrongly assume that because a precicensing provider has courses available, they must be legitimate.

This is false. The fact is, when a precicensing partner is caught breaking the rules, it's the insurance companies and their employees who pay the price — in lost licenses, large fines and damage to their reputation.

What can you do?

If you have narrowed your search down to a few providers, now is the time to ask if they perform detailed self-audits. Every precicensing provider should perform self-audits to ensure they have maintained compliance with each state's precicensing education requirements and that all platforms are working as designed. This audit checklist will discuss items such as frequency of internal system checks, proctoring setup, user rosters, data validation and much more.

Be Aware

- Ask your provider to share their “audit checklist”
- Every provider should perform detailed and regular checks
- Ask your provider to share corrections made due to self-audits

QUESTION 03

Do they provide audited pass rates?

Every provider will tell you they have amazing pass rates. The problem is that too many insurance companies believe this at face value. It is easy to get caught up in the fast moving sales process, but there's only one way to get a true gauge on your provider's results — ask for audited pass rates.

Unfortunately, state agencies typically lag behind in their current data collection or have incomplete provider records. While providers are quick to quote a number on their pass rates, make them prove it through third-party audited reporting. Also, ask what tools they have in place to ensure high pass rates.

Third-party audit reporting is the process in which state testing services report actual pass rates to the provider. Not all states perform this action but it can give you a fairly good indication of whether there are discrepancies in the vendor's marketed pass rates and the verified rates.

What can you do?

Be skeptical when looking at the numbers a provider gives. You are right to question what you are being presented and that is a good thing. Make sure to ask the hard questions as this is an interview that you can't afford to get wrong.

Be Aware

- Ask your provider to share their third-party pass rates**
- Ask your provider what tools are in place to ensure high pass rates**
- Ask your provider to explain their auditing process in detail**

QUESTION 04

Are they properly tracking in-program hours?

Many states require a reported and audited minimum number of study hours during prelicense training. Failure to properly track and report these figures can result in license suspensions and insurance company fines — not to mention lost customers and reputational damage.

It's critical that insurance companies understand the individual state regulations around prelicensing. Today, there are many differences across the states and some providers do not meet every state's requirements. As a customer, you may expect your prelicensing provider to be aware of this, but the truth is that many providers have a "one size fits all" approach that is not in compliance with every state.

What can you do?

As a manager, you need precise measurement of your candidates' in-program hours. Ask the provider if their solution has a dashboard built for managers to audit study hours. Here you should be able to track time, build customized reports and have access to other key metrics. With the right tools, you can create a more efficient and effective prelicensing program. You will also be able to capture critical program data and stay in compliance with state regulations.

Be Aware

- Find out if your state requires a minimum number of training hours
- Make sure your provider tracks and audits required study hours

QUESTION 05

Does your provider have state-specific programs?

As mentioned, every state has unique regulations and laws around insurance prelicensing. For companies that do business in multiple states, or are planning on expanding to new states, it's critical that your prelicensing provider is following all the rules and regulations by state.

Typically, differences between the states involve tracking and reporting study hours and/or proctoring of exams. However, there are dozens of other regulatory differences between the states. Be sure your provider has a clean record and documented experience in every state in which you are licensing your candidates.

What can you do?

There are several providers that are currently under audit in several states for noncompliance. Be sure the provider you choose isn't one of them!

Be Aware

- Understand your state's prelicensing requirements**
- Find out if your provider has any compliance violations**
- Make sure your provider offers state-specific content**

QUESTION 06

Are your candidates learning concepts or memorizing questions?

You know the pitch. “We have all the questions on the exam!” Some prelicensing providers actually hire people to intentionally fail and retake state exams, so they can record all the questions and sell them to you. This is called item harvesting and is a concern for testing services and state regulators alike. That may sound like a good way to increase pass rates, but is it really training your candidates to be prepared to represent your company?

Prelicensing should prepare candidates for the exam and prepare them to be successful, knowledgeable agents. Memorizing answers to an exam may help users pass, but it won't help candidates achieve minimum entry-level competency that empowers them to understand and perform their job duties on day one.

What can you do?

A provider's solution should be much more than just question banks that have been assembled over time. A candidate that has actually learned the material will undoubtedly be more productive over the course of their career. This is also important because it protects your customers as well. A expertly-designed training program, innovative learning technologies, routine compliance review and manager-level insight into candidate performance are key to ensuring success.

Be Aware

- Make sure your candidates are actually learning the material**
- Select a provider that offers solutions that help facilitate learning**
- Understand how your provider's training program was developed**

CONCLUSION

ExamFX checks all the boxes

ExamFX has devoted years to building and refining our prelicensing program to include these powerful learning technologies:

- ✔ Interactive Learning Portal for quick and convenient access to the training material
- ✔ Exam simulations that mimic the real exam: building familiarity and confidence for exam day
- ✔ Content expert support to give users a trusted and accessible resource for questions
- ✔ OnDemand Videos, enriched with animations and available 24/7, are the ultimate learning supplement
- ✔ Online Flashcards for convenient “anytime, anywhere” practice
- ✔ ListenUp! MP3s for auditory learners or those who want an “on-the-go” learning experience
- ✔ Live Online training, a cost-effective solution for those looking for a more hands-on learning experience
- ✔ Guarantee Exam that provides a benchmark to ensure complete exam readiness

The value of partnering with ExamFX is in doing things the right way, every time — staying in compliance, building a thriving business and protecting your reputation.

If you have questions or would like a free evaluation of your current prelicensing practices and how you can safeguard your business, call us at **(800) 586-2253**, choose option “1” to talk to a prelicensing consultant.



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Starts Here*

We strive to create training tools that are accurate, compliant and most importantly create an engaging experience for users. We offer a complete portfolio of learning solutions for the financial services industry that incorporates elements tailored for every type of learner, with packages designed to provide individuals and organizations with the most cost-effective learning solutions.

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