

Licensing in Service Centers: How Much?



Executive Summary

Malcolm McCulloch
860-285-3970
mmcculloch@limra.com

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Overview

Mention licensing in the financial services industry and we typically think of sales personnel in field offices. But how frequently does licensing occur in call centers that support products through sales and service? Under the aegis of government regulations, call centers that sell insurance and retirement products clearly must have licensed representatives. The licensing issue for service centers is not so straightforward. The muddy waters for service centers are particularly murky with companies because most call centers in the industry focus on service not sales (e.g., policy-owner centers, claims centers, sales desks for field producers, and so on). To further stir the waters, if licensing occurs in service centers, it may impact rep compensation.

Frequency of Licensing in Service and Sales Centers

LIMRA's 2008 Compensation Practices of U.S. Contact Centers provided licensing information from 61 financial services companies in 95 centers. The vast majority of the centers (91 percent) focus on service, with only a small proportion (9 percent) dedicated to revenue generation. As expected, the sales centers all used licensed reps. However, only 38 percent of service centers use licensed reps (Table 1).

Type of Business Center	Percent of Centers
Service (n=87 centers)	38%
Revenue generation (n= 8 centers)	100%

Companies License the Reps in Service Centers When...

- The reps' responsibilities include selling or providing advice on insurance and registered products.
- Company philosophy regarding risk aversion is strong. These companies opt to license reps although the requirement by regulatory agencies is not clearly mandated. They err on the side of caution; by licensing reps, they avoid potential compliance issues that may arise.

Licenses in Service Centers

- Series 6 is the most prevalent license (Table 2).
- Other licenses are found in low proportion (Table 2).

License Type	Proportion (n=33) United States
Series 6	64%
Life/Health	9
Series 7	9
LH, Series 6, & Series 7	9
LH, Series 7, Series 66	6
Series 6 & Series 7	3
	100%

Service Center Products

- Products most frequently supported by licensed service reps are defined contribution plans, while annuities are supported by 58 percent of centers (Table 3).
- At the other side of the continuum, only 3 percent of licensed centers serviced individual health products.
- All products supported by licensed reps were also supported by unlicensed reps except for mutual funds.

TABLE 3

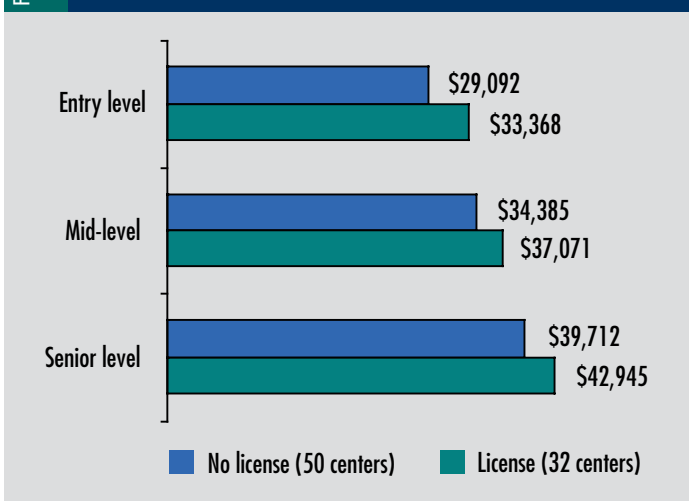
Products and Licensing in Service Centers

Product	Some Type of License(s) (33 centers)	No License (54 centers)
Defined contribution plans	61%	9%
Annuities	58	26
Individual life	42	35
Investment/ life (UL, VL, etc.)	42	24
Mutual funds	30	0
Defined benefit	27	4
Group life	18	17
Long-term disability	18	30
Short-term disability	18	28
P&C	6	13
Individual health	3	11
Group health	0	33
Dental	0	26

Licensing and Compensation

The compensation picture is clear. From an entry position to a senior level, licensed reps are paid more than unlicensed reps (Figure 1).

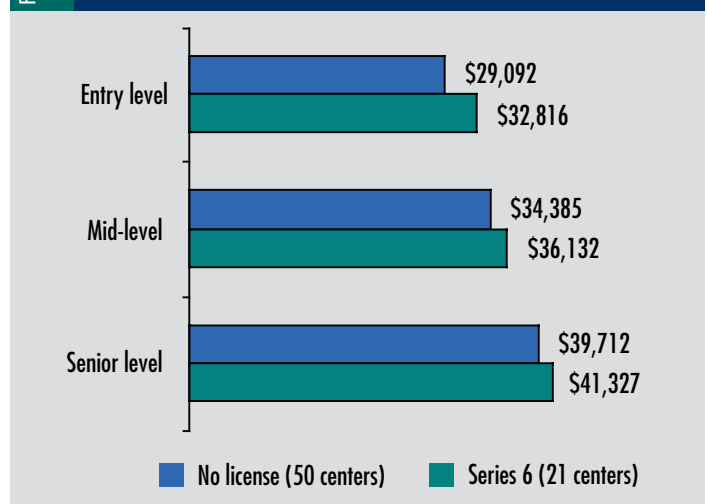
FIGURE 1 Median Salary for Licensed vs. Unlicensed Service Reps Across Three Job Levels



¹ Comparison with other licenses such as Life/Health and Series 7 is not technically feasible because of the small number of centers with these other licenses.

Compensation and Series 6:¹ Median salary for these licensed reps is higher than unlicensed reps across all three job levels (Figure 2). Those who obtained Series 6 are paid 13 percent higher than unlicensed entry reps (\$32,816 vs. \$29,092).

FIGURE 2 Median Salary for Series 6 Service Reps vs. Unlicensed Service Reps



Summary

- Most centers in the financial services industry do not use licensed reps. The simple reason is that most centers provide service support, not sales of insurance or registered products. In the small proportion of sales-oriented centers, all had licensed reps.
- It is no surprise that licensed reps are paid more. They have undergone specialized training typically sponsored by the company. Their formal certification represents industry expertise and professionalism. Additionally, most companies pay for maintenance of licensing.
- Turnover of licensed call center reps can be more costly to companies than unlicensed reps. There is (1) the loss of expertise, (2) the unreturned resources in training and management time to develop that expertise, (3) cost to select, train, and license the replacement rep, and (4) discontinuity of a fully licensed workforce.

Recommendations

Agent turnover is painful for any center, but it may be more acute for centers with licensed reps. Steps to minimize turnover will have high return on investment.

Hiring practices: Reducing turnover starts at the hiring door. Your licensing reps can be viewed in some ways as a professional workforce. The selection process should include time and multiple snapshots of assessment to help ensure successful future work performance. There are several assessment techniques to use:

- Assess for individual's fit to your unique work culture. Research shows the greater the fit, the greater the work satisfaction that reduces turnover. LIMRA's validated instrument, CultureFit, does this.
- Include a realistic job preview (RJP). The technique provides a structured preview of the good and bad sides of the job. Have individuals tour your center at a busy time and have them listen to phone calls (or tapes of conversations) that demonstrate various conversations. Gaining realistic expectations of the

work reduces turnover. In this RJP technique, LIMRA recommends that candidates repeat back to the hiring manager the nature of the job to check to see if the candidate really absorbed the nature of the work.

Career development: Licensed reps have taken a first step into the financial services profession. On the one hand, individuals may continue on in the industry. On the other hand, even if a few individuals don't realize the entrance to the industry, the company has nonetheless expended resources. Centers should create a formal career path for licensed reps so they can advance to different areas within the company where licensing is an asset. Expectation of future advancement *keeps individuals in the job.*



HARTFORD MIAMI TORONTO LONDON KUALA LUMPUR SHANGHAI HO CHI MINH CITY SEOUL

300 Day Hill Road, Windsor, CT 06095-1783, U.S.A.

Phone: 860-688-3358 • Fax: 860-298-9555 • Web: www.limra.com

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