The Difference Between Licensing and Appointment—and Why It Matters

As a life insurance professional, you likely know the importance of maintaining your license and staying compliant. But one area that often causes confusion—and can delay business or affect compensation—is the distinction between being **licensed** in a state and being **appointed** by a carrier in that state.

Understanding how these two concepts work together, and what's required when commissions are paid to a business entity, is essential for keeping your business on track.

1. Licensing vs. Appointment

- **Licensing** gives you legal permission from the state to solicit, negotiate, and sell life insurance products. You must be licensed in every state where your clients reside.
- **Appointment** is the carrier's authorization for you to represent their products and receive commissions. Without an appointment, the carrier is not permitted to pay you—even if you're licensed in that state.

In other words: a license lets you *sell insurance*, but an appointment allows you to *sell that insurance through a specific carrier*.

⚠️ **Important:**

- Being appointed by a carrier in one state does *not* mean you're appointed with that carrier in all states. Appointments are **state-specific**. For example, if you're licensed and appointed in Missouri and also licensed in Illinois, you must request and confirm your **Illinois appointment** with the carrier before writing any business there. It is not automatic.
- Carriers have **different rules** about which state license is required. Some carriers go by the **application signing state**, some go by the **owner's residence**, and some require the advisor to be licensed in **both states**. Always confirm the carrier's licensing requirement before proceeding.
- You must also hold the **correct line(s) of authority** on your license for the type of product you are selling. For example, you may be licensed to sell life insurance, but without the health line of authority, you cannot sell long-term care insurance—even if it is part of a life insurance policy.

2. What If You're Paid Through a Business Entity?

If commissions earned on business you write are directed to your LLC, corporation, or other business entity (rather than to you personally), that entity must also be:

- **Licensed in the state**, and
- **Appointed with the carrier (in all relevant states)**

Even if you're fully licensed and appointed as an individual, the carrier cannot pay your entity unless it meets the same requirements. This is a commonly overlooked step that can hold up contracting or result in missing commission payments.

3. Watch for Pre-Appointment States

Some states require carriers to **appoint you before** you take an application. These are known as *pre-appointment states*, and rules vary by state and carrier.

If you're not already appointed with a carrier in a pre-appointment state, you'll need to complete that step before initiating any paperwork or client discussions.

Examples of pre-appointment states include:

- **Florida**
- **Georgia**
- **Louisiana**
- **Montana**
- **Ohio**
- **Pennsylvania**
- **West Virginia**
- **Wisconsin**

Submitting an application too soon in these states can result in delays or compliance issues, so it's always worth confirming your status ahead of time.

4. Additional Requirements for Certain Products

Some insurance products come with **extra layers of training, licensing, or registration**, and failing to complete these can prevent business from being processed—or even discussed with a client:

- **Long-Term Care Insurance**: Most states require a one-time NAIC LTC training course, as well as ongoing refresher training every 24 months. Many carriers also require their own product-specific training before you can submit an application.

- **Annuities**: Many states require annuity-specific training before any sale, including a four-hour course for new producers and periodic refresher training. In addition, most carriers require their own annuity product training to be completed before an application is accepted.
- **Variable Life and Variable Annuities**: These are classified as **securities**, not just insurance products. Producers must:
    - Be **FINRA-registered** (typically Series 6 or 7)
    - Be **affiliated with a broker-dealer**
    - Have completed **carrier-specific training**

Importantly, registration is required **not only to sell**, but even to **discuss or present** these products to clients. Discussing a variable product without proper registration is a regulatory violation.

If splitting a case with another advisor, all of the same rules apply to that advisor, even if he/she is not signing the application.

5. Best Practices to Keep Business Moving Smoothly

- **Verify** both your license and appointment status *before* taking an application, especially in unfamiliar or pre-appointment states.
- **Confirm** that your business entity is properly licensed and appointed if it will receive commissions.
- **Complete all required product trainings**—state and carrier-specific—before submitting business.
- **Be sure you hold the correct line(s) of authority** on your license for the product you are recommending.
- **Clarify with the carrier** whether they require licensing in the app signing state, the owner's resident state, or both.
- **Keep your E&O coverage current** and uploaded in systems like SureLC.
- **Reach out to your BUI's Licensing and Contracting** team if you're unsure of your status or need help with a carrier's onboarding process.

Final Thought

These requirements may feel like red tape, but they're in place to ensure you’re authorized, protected, and paid. Taking time to confirm licensing, appointments, and training is part of delivering a smooth experience for your clients—and protecting your business in the process.