**Worker Classification/ABC Test Bill – Talking Points**

There have been recent legislative attempts, at both the state and federal level, to reclassify independent contractors by establishing an ABC test. The test sets a rigid standard that would require insurance agents and advisors to become W-2 employees of every carrier they’re connected to. NAIFA strongly supports a carve out for insurance agents, brokers and licensed insurance organizations and security brokers from any legislative proposal to enact an ABC test on independent contractors.

**There is no reason to classify insurance and financial professionals as employees**.

* The relationships between agents and advisors and insurance companies and financial firms is already highly regulated. For many financial professionals, reclassifying them as “employees” would stifle the independence that allows them to effectively serve the diverse market of U.S. consumers.
* The compensation of insurance and financial professionals is carefully recorded and reported on IRS Form 1099. Concerns over cash payments and unreported income do not apply to the insurance and financial services industry.
* Challenges faced by workers in the “gig economy” are not relevant for insurance and financial professionals.

**The current legal classification of insurance and financial advisors as “independent contractors” has long-standing precedence.**

* Many insurance and financial advisors have relationships with multiple insurance companies, broker-dealers, or registered investment advisers, giving them diverse lines of products and services to offer consumers. They are small business owners who have contractual agreements with these companies.
* Reclassification will disrupt insurance and financial services business models and limit consumer access to diverse offerings of products, services, and advice.

**NAIFA members enjoy the freedom that comes with the independent contractor status.**

NAIFA members are professionals who generally operate their own small businesses. A 2021 survey of members indicates that they oppose attempts to reclassify them as employees. Early results indicate:

* Approximately 90% receive income reported on a 1099.
* 94% do not want to be treated as an employee for union organizing.
* 95% operating as an independent contractor want to remain so.

The top concerns of members should they be reclassified as employees include:

* Loss of business deductions.
* Loss of ability to set one’s own schedule.
* Loss of renewal income if current clients were reassigned.
* Nullification of existing agent contracts.
* Diminished product offerings due to inability to offer products outside of a primary carrier.

**ABOUT NAIFA:** The National Association of Insurance and Financial Advisors is the preeminent membership association for the multigenerational community of financial professionals in the United States. NAIFA members subscribe to a strong Code of Ethics and represent a full spectrum of financial services practice specialties. They work with families and businesses to help Americans improve financial literacy and achieve financial security. NAIFA provides producers a national community for advocacy, education and networking along with awards, publications and leadership opportunities to allow NAIFA members to differentiate themselves in the marketplace. NAIFA has 53 state and territorial chapters and 35 large metropolitan local chapters. NAIFA members in every congressional district advocate on behalf of producers and consumers at the state, interstate and federal levels.

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