

Top 10 Compliance Pitfalls in Fast-Growing and M&A-Active Agencies & MGAs

Whether you're rapidly scaling organically or integrating new entities through M&A these are the most common compliance pitfalls – and how to avoid them.

Compliance Pitfall	Why It's a Problem	How to Mitigate It
Neglecting State-by-State Licensing Rules	Overlooking licensing, fee, appointment, and other nuances can trigger audits and penalties.	Automate tracking using software like Creative Compliance Hub.
Inconsistent Producer Onboarding	Rapid hiring often skips critical compliance steps such as background checks, licensing verification, and required training – all of which are scrutinized by regulators.	Standardize onboarding including license validation, training, and background checks. Make it non-optional.
Missing or Mismanaged Appointments	Failure to appoint producers or business entities with carriers in time (or at all) exposes agencies to commission issues and enforcement actions.	Set up automated reminders and workflows for carrier appointments; verify needs by state and LOA.
Compliance Gaps in Acquired Entities	M&A often uncovers skeletons in the closet, such as non-compliant licenses, unapproved DBAs, or outdated filings.	Conduct pre-close and post-close compliance audits during M&A to surface issues early.
Poor Document Management & Retention	Lacking organized storage for licensing, appointment, and training documentation makes responding to audits or due diligence requests a nightmare.	Use a centralized, cloud-based document repository (with audit trails) – no more folders on local drives.
Overlooking Entity-Level Compliance	Agencies sometimes focus on producer-level compliance but forget legal entity names, correct addresses, and annual state filings.	Track and calendar all legal entity requirements – annual reports, state registrations, address changes, etc.
DBA/Trade Name Misuse	Operating under unregistered or incorrectly filed DBAs in states that regulate them can lead to fines, cease-and-desist orders, or both.	Run a multi-state DBA audit. Ensure trade names are properly registered and renewed.
Ignoring Termination Protocols	Failing to properly terminate producers or update state and carrier records creates liability if misconduct occurs post-employment.	Build a playbook: notify carriers, terminate licenses, revoke system access, etc. Close the loop thoroughly.
Lagging Behind Regulatory Changes	M&A-active and fast-scaling firms often don't have the capacity to track evolving state compliance requirements – until it's too late.	Subscribe to state DOI bulletins or use a partner like 3H Compliance Group that monitors updates.
Lack of Centralized Oversight	Disparate systems and spreadsheets across offices or acquired agencies make it nearly impossible to get a holistic compliance view or catch problems early.	Consolidate onto a single compliance platform – or partner – to track licensing, training, appointments, and audits across individuals and entities.