

# New York Regulation 187

January 2020 Training Call



# Agenda



**What is New York Regulation 187 (NY Reg 187)**



**Impact to Our Business**



**Q & A**

# New York Regulation 187

# What is NY Reg 187?

**For both annuities and life insurance, this regulation sets a standard of conduct that the Financial Professional must adhere to in making recommendations.**

**This applies to recommendations with respect to:**

- A life or annuity sales transaction (i.e. the purchase of a policy, a replacement, conversion, or any modification or election of a contractual provision that results in new sales compensation)
- In-force transactions involving modifications of a policy or contract as well as the election of a contractual provision that does not result in new sales compensation
- In-force “hold” recommendations

## Effective Dates

### **Annuities Contracts**

**August 1, 2019**

### **Life Insurance Policies**

**February 1, 2020**

# Definition of a Recommendation

**NY Reg 187 defines a recommendation as one or more statements or acts by a producer to a client that:**

- The consumer may reasonably interpret as advice
- The producer intends as advice
- Results in a consumer entering into or refraining from entering into a transaction

## **What is NOT a Recommendation:**

- Advertisements\*
- Marketing materials\*
- General education information regarding insurance or other financial products or general information about product features
- Interactive educational tools\*

\*Assuming this information does not make recommendations or imply that an action should be taken

# Who the Regulation Applies to

## NY Reg 187 Applies to:

- **The producer who makes the recommendation**
- **One who materially participates in making the recommendation and receives compensation regardless of whether there is direct contact with the consumer:**
  - General Agent
  - Sales Manager
  - Wholesaler
  - Brokerage Director

# Sales vs. In-force Transactions

## Sales Transactions

- A purchase or issuance of a policy
- Any replacement of a policy as defined in New York Reg. 60
- Any conversion, modification or election of a contractual provision on an in-force policy that generates new sales compensation

## In-force Transactions

- Any modification or election of a contractual provision that does not generate new sales compensation:
  - Reallocations
  - Beneficiary change requests
  - Address change requests
  - Any recommended subpay



**NOTE: Prudential does not intend to treat a recommended subpay – even if it generates new sales compensation – as a sales transaction.**

# When the Regulation Does Not Apply

There are a few exemptions where this regulation does not apply, including an annuity contract or policy used to fund:

- Qualified pensions
- Other tax-qualified plans
- 403(b) tax sheltered annuities (TSAs) and 457 plans
- Corporate owned life insurance and Bank Owned Life insurance
- Credit life insurance and life settlement contracts
- Purchases with no recommendation



**NOTE: The regulation does not apply to recommendations made to policy owners issued in other states even if the owner now resides in New York.**



# Summary of the Regulation

## Standard of Care

Whether recommending a sales transaction or an in-force transaction, you must act in the best interest of the consumer to ensure that a recommendation:

- Is suitable for the consumer
- Appropriately addresses the consumer's insurance needs and financial obligations

# Summary of the Regulation Disclosures

You are required to disclose to the consumer in a reasonable summary format “all relevant suitability considerations and product information, both favorable and unfavorable, that provide the basis for any recommendation.”

## Limitations on Product

- A producer can limit the policies recommended based on an agreement with an insurer but must disclose in writing
- The producer must adhere to the conditions of the disclosure with each consumer

## Fee-Based vs. Commission-Based

- Insurer is required to provide the consumer a comparison disclosing the differences between the products
- Insurer can include the differences in the producer’s compensation structure for the different products

# Financial Exploitation

Insurers will be required to establish and maintain procedures to prevent financial exploitation and abuse.

## Financial Exploitation

Improper use of an adult's funds, property or resources by another individual including:

- fraud
- false pretenses
- embezzlement
- conspiracy
- forgery
- falsifying records

## Majority of Financial Exploitation

This involves elderly individuals being exploited by:

- family members
- friends
- romantic partners
- caregivers
- health care providers
- producers and other predatory individuals



# Impact to Our Business

# FP Training Requirements

All FPs will be required to complete two types of training prior to making any recommendations:

- 1 NY Reg 187 Training
- 2 Prudential Product Knowledge Training

# FP Training Requirements

**NY Reg 187 Training is available from the following vendors:**

- Reg Ed (CE version)
- Kaplan (CE & non-CE)
- Quest CE
- ClieTell / SuccessCE

FP will receive a certificate as validation that the training has been completed and feeds will be sent to Prudential via DTCC

\*Please advise your FPs to consult with their back offices for firm specific training requirements



**NOTE: Training is a pre-solicitation requirement. Any tickets or applications received where training has not been completed will be considered Not in Good Order (NIGO). Training will also be validated anytime a servicing agent change is made.**

# FP Training Requirements

## Prudential Product Knowledge Training

Two courses will be available through approved vendors:

- Term Only Products
- Non-Term Products

Estimated time to complete both courses is under one hour



**NOTE: Training is a pre-solicitation requirement. Any tickets or applications received where training has not been completed will be considered Not in Good Order (NIGO). Training will also be validated anytime a servicing agent change is made.**

# Confirming NY Reg 187 Training Status in PL&R

- All appointed FAs are in the PL&R system
- All Life new business requires both Product and Best Interest Training (NY Reg 187)



Course Number	Title	Course Provider	Course Type	State	Product Category	Completion Date
NYCS-261166	NEW YORK SUITABILITY AND BEST INTERESTS	KAPL	B	NEW YORK	ALL VARIABLE ANNUITIES (DEFERRED AND IMMEDIATE)	08/05/2019
13PRUBND1	PRUDENTIAL DEFINED INCOME TRAINING	RGED	P		ALL VARIABLE ANNUITIES (DEFERRED AND IMMEDIATE)	09/14/2016

Course Number	Title	Course Provider	Course Type	State	Product Category	Completion Date
485_NY	BEST INTEREST OF CLIENTS IN LIFE INSURAN	RGED	B	NEW YORK	N	07/17/2019
10PRU01000	PRUDENTIAL ANNUITIES PRODUCT TRAINING	RGED	P		ALL VARIABLE ANNUITIES (DEFERRED AND IMMEDIATE)	11/21/2011



**NOTE:** Training is a pre-solicitation requirement. Any tickets or applications received where training has not been completed will be considered Not in Good Order (NIGO). Training will also be validated anytime a servicing agent change is made.



# Suitability Delegation

## Suitability Review:

- Prudential is responsible for ensuring that suitability reviews are performed for all new business and in-force sales transactions as required by the regulation
- With prior approval, the responsibility to perform suitability reviews may be delegated to our distribution partners (e.g.; IMOs, BDs or BGAs)
- In situations where the responsibility has not been delegated to a distribution partner, Prudential will perform suitability reviews
- SalesLink will note those firms who will handle their own suitability
  - Located in the “Accounts” tab

# Client Information Form (CIF)

## When to submit the form:

- If Prudential is conducting the suitability, the CIF will need to be submitted with the application
- If the distribution partner is conducting the suitability, the CIF is not needed when submitting the application

The image shows a screenshot of the Prudential Customer Information Form for Life Insurance. The form is titled "Prudential CUSTOMER INFORMATION FORM FOR LIFE INSURANCE". It includes checkboxes for "The Prudential Insurance Company of America" and "Pruco Life Insurance Company of New Jersey", with a note that both are Prudential companies. There is a field for "POLICY NUMBER (IF KNOWN)". The "INSTRUCTIONS" section provides guidance for different product types: TERM PRODUCTS (sections A-C and K-L), NON-TERM, NON-VARIABLE PRODUCTS (sections A-I and K-L), and VARIABLE PRODUCTS (all sections). Section A, "POLICYOWNER'S AND PRIMARY PROPOSED INSURED'S NAME INFORMATION", requires the name of the policyowner and the primary insured. Section B, "POLICYOWNER'S FINANCIAL OBJECTIVE", requires selecting up to two objectives. It lists four primary objectives (Protection/Income Replacement, Income, Growth, Diversified) and four secondary objectives (Protection/Income Replacement, Income, Growth). Detailed descriptions for each objective are provided at the bottom of the form.

# New York Attestation – Prudential Agents Only

## Attestation:

- **A New York attestation will be added to the Prudential Agents Report form**
- **It will require a signature from the producer which asks the financial professional to attest that the sale is suitable and in the best interest of the applicant**

# Summary

- ✔ Sets a standard of conduct in making recommendations
- ✔ Effective Date: Life Insurance – February 1, 2020
- ✔ Confirm NY Reg 187 Training Requirements have been met

# Q&A



# Disclosures

Please remind financial professionals that their clients should consider the contract and the underlying portfolios' investment objectives, policies, management, risks, charges and expenses carefully before investing. As you know, this and other important information is contained in the prospectus, which clients should obtain from their financial professional and read carefully.

Annuities are issued by Pruco Life Insurance Company (in New York, by Pruco Life Insurance Company of New Jersey), located in Newark, NJ (main office), or by Prudential Annuities Life Assurance Corporation located in Shelton, CT. (main office). Variable annuities are distributed by Prudential Annuities Distributors, Inc., Shelton, CT. All are Prudential Financial companies and each is solely responsible for its own financial condition and contractual obligations. Prudential Annuities is a business of Prudential Financial, Inc.

Life insurance is issued by The Prudential Insurance Company of America, Pruco Life Insurance Company (except in NY), and Pruco Life Insurance Company of New Jersey (in NY). Variable universal life policies are offered through Pruco Securities, LLC. All are Prudential Financial companies located in Newark, NJ.

# Thank you



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