



NEW YORK REGULATION 187 – SUITABILITY & BEST INTEREST

Producer Expectations

Protective Life and Annuity Insurance Company (Protective) producers who are licensed as insurance producers in the state of New York must comply with the best interest requirements of New York's amended Insurance Regulation 187 (the "Regulation"). These requirements, which take effect for annuities on August 1, 2019 and life insurance on February 1, 2020, also impose new documentation, disclosure and training requirements. Producers need to maintain and provide upon request to Protective or the New York Department of Financial Services documentation of the information that you obtain from your clients and the recommendations made regarding any transaction relating to life insurance or annuity products.

The Regulation sets forth the requirements for suitability and best interest and applies to any transaction (regardless of whether the transaction results in new sales compensation) or recommendation with respect to proposed or in-force life insurance policies or annuity contracts. All recommendations must be thoroughly documented, and agents must disclose suitability considerations, as well as product information, to consumers. In addition, producers are required to maintain records, including documents supporting the basis for the recommendation, and provide those records to Protective upon request.

Transactions under the Regulation include both sales transaction and in-force transactions.

The Regulation defines a sales transaction as the purchase or issuance of a policy, any replacement, conversion, or any modification or election of a contractual provision with respect to an in-force policy that generates new sales compensation. New sales compensation does not include compensation provided when the consumer pays further premiums or deposits pursuant to the policy. **It's important to note that sales transactions may include certain transactions related to in-force policies.** Examples of sales transactions include a recommendation to the client to annuitize and a recommendation to make an additional purchase payment to an existing annuity.

An in-force transaction is defined as any modification or election of a contractual provision with respect to an in-force policy that does not generate new sales compensation. Examples of in-force transactions include, but are not limited to, a recommendation to reallocate among investment options, taking a policy loan and a recommendation to change a beneficiary.

For all sales transaction recommendations you must document the following:

- Customer needs analysis based on their individual profile
- Comparison of the products that meet those needs in a reasonable summary format
- Completed and signed Suitability and Best Interest Questionnaire
- Completed and signed application

Any time you make a recommendation to a client, regardless of whether a transaction occurs, you must document the following:

- Description of the recommendation
- The basis for the recommendation (including any documents you relied on)
- Client decision regarding the recommendation
- Whether all applicable disclosures were provided to the client

Other considerations:

- You will need to complete a one-time training on the Regulation and maintain a copy of your certificate of completion.
- You must document all recommendations, even those that do not result in a transaction, such as a recommendation to hold.
- You must maintain best interest documentation regarding in-force transactions.
- Transactions that result in new sales compensation require a suitability and best interest review and you must complete and submit the annuity suitability form, otherwise we will not process the transaction