

New York Regulation Suitability and Best Interest in Life Insurance and Annuity Transactions



Special news bulletin for existing American National agents licensed and appointed prior to 8/1/2019 that have already completed American National product-specific training.

Regulation 187

The New York Department of Financial Services has adopted the first amendment to its existing Suitability in Annuity Transactions Rule commonly known as Insurance Regulation 187, retitled as "Suitability and Best Interests in Life Insurance and Annuity Transactions." The amended regulation will impose a best interest standard on recommendations of purchase, replacement and certain other post-issue transactions involving both life insurance and annuity products.

The revised regulation is effective on:

August 1, 2019 for Annuities

February 1, 2020 for Life Insurance

American National requires mandatory training on the details of Regulation 187. This training is provided by LIMRA, RegEd and other leading industry training providers.

Additionally, this news bulletin covers some American National processes that may differ from other carriers.

The Impact of Regulation 187

How will Regulation 187 impact replacement transactions that are subject to Regulation 60?

- The NY DFS has long placed special emphasis on replacement transactions.
- Both Regulations have requirements which impose specific obligations on agents with respect to replacement transactions.

Regulation 187 states that an agent must determine that a replacement is suitable by taking into consideration:

- Whether the consumer will incur a surrender charge, increased premium or fees, decreased coverage duration, decreased death benefit or income amount, adverse change in health rating, be subject to the

commencement of a new surrender period, lose existing benefits (such as death, living or other contractual benefits), be subject to tax implications if the consumer surrenders or borrows from the policy, or be subject to increased fees, investment advisory fees, premium loads or charges for riders and similar product enhancements.

In replacement transactions, Regulation 187 also requires that the agent consider:

- Whether the consumer would benefit from policy enhancements and improvements, such as a decreased premium or fees, increased coverage duration, increased death benefit or income amount; and
- Whether the consumer has had another policy replacement, in particular, a replacement within the

preceding 36 months.

- Regulation 60 requires that the agent obtain and evaluate certain comparative information regarding both the existing policy or contract as well as the proposed policy or contract. That information is then used to complete the Regulation 60 Disclosure Statement.
- Pursuant to the Third Amendment to Regulation 60, American National NY will obtain for the agent the information from the other carrier needed to complete the Regulation 60 Disclosure Statement. This information along with the other comparative information required by Regulation 187 must be considered by the agent in making a recommendation to buy.
- Since agents will not have the completed Regulation 60 Disclosure Statement at the time the application

is taken, the company will accept applications with “conditional recommendation” pending your receipt and review of the completed Regulation 60 Disclosure Statement that contains comparative information.

- Beginning on August 1, 2019, annuity replacement transactions will be handled in much the same way as they are today except that agents will be required to complete a new form in which they confirm their conditional recommendation to replace an annuity.
- A Confirmation of Recommendation (Form ANY-11125) must be completed and will confirm that you have reviewed the required Regulation 60 Disclosure Statement with the client along with all of the other previously collected suitability information and that you are confirming your prior conditional recommendation as being both suitable and in the best interest of the prospect.
- Regulation 60 Forms packet ANY-25 is available on img.anicoweb.com.

IMPORTANT!

A Confirmation of Recommendation Form (ANY-11125) must be submitted to the Home Office along with a signed copy of the completed Regulation 60 Disclosure Statement before a contract will be issued. Otherwise you will risk delays in processing the transaction.

The Impact of Regulation 187

How else will the revised Regulation 187 impact how I submit business?

- Currently you are required to present each customer who is considering purchasing an annuity with a copy of the appropriate annuity product disclosure. Under the existing process the agent submits the client acknowledgment and agent signature page(s) to the Home Office.
- In order to demonstrate that the customer fully understands the annuity being recommended, it is important that you always review the annuity product disclosure with the prospect and answer any questions that they might have regarding the product prior to making a recommendation.
- Beginning August 1, 2019, you will be required to leave a complete copy of the annuity product disclosure with the customer including the signature and acknowledgment section of the form. The existing requirement that the agent submit the client acknowledgment and agent signature page to the Home Office along with all other required forms will continue. However, the agent will be required to confirm that they have left a complete copy of the Annuity Product Disclosure with the customer.

Important Form Changes

Replacements

- A Confirmation of Recommendation Form (ANY-11125) will be required to be submitted to the Home Office along with a signed copy of the completed Regulation 60 Disclosure Statement.

Product Disclosures

- Complete copies of all annuity product disclosures must be left with the customer. A copy of the client acknowledgment and agent signature page must be submitted with all other required documents.

There will be delays in processing your submitted transaction if all required documentation is not in order.

Suitability Form

- We have also made substantial changes to the Annuity Best Interest-Suitability Questionnaire/USA PATRIOT Act form (Form ANY-4465) which are designed to help document the collection and review of all of the suitability information which must be obtained and considered to make a best interest recommendation.

Annuity Best Interest-Suitability Questionnaire/USA PATRIOT Act form (Form ANY-4465) is available at img.anicoweb.com.

If you have any questions about any of the changes that are coming because of the requirements in Regulation 187, please contact the IMG Field Support Center at 888-501-4043 or Corporate Compliance at compliance@americannational.com.

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