

New York Regulation 187 Overview

Information for those conducting business in New York

The New York State Department of Financial Services (NY DFS) has released the final version of best-interest Regulation 187 (NY 187). The final regulation – **“Suitability and Best Interests in Life Insurance and Annuity Transactions”** – will require producers and insurers to implement a process that ensures they’re acting in the consumer’s best interest when recommending an annuity or life insurance policy issued in New York. The new regulation takes effect on:

- **Life Insurance:** February 1, 2020
- **Annuity:** Previously implemented August 1, 2019

What we’re doing

At Lincoln Life & Annuity Company of New York (Lincoln), we’re working closely with industry experts and groups to ensure we are compliant with the regulation and that we are supporting your needs.

How this affects your Life Insurance business

New York Regulation 187 (NY Reg 187) requires producers and insurers to implement a process ensuring they are acting only in the consumer’s best interest, and not the financial interests of the producer or insurer, when recommending or servicing a policy issued in New York. The recommendation must address the consumer’s insurance needs and financial objectives at the time of the transaction and applies to:

- New sales and case submissions, and
- In-force transactions involving new sales compensation, and
- Producer documentation for recommended in-force transactions that do not generate new sales compensation

NY Regulation 187 requires significant insurer oversight obligations regarding training and supervision as well as necessary corrective action where appropriate. Producers have a duty to recommend products in the consumer’s best interest and will be required to complete pre-sale training requirements. The training modules are now available from industry vendors, allowing producers time to complete the training prior to the effective date of the regulation for life insurance policies. Additional information on these requirements can be found on the following pages.

New York Regulation 187 Requirements

Pre-sale producer training

NY Reg 187 Best
Interests Training

Carrier-specific
Product Training

Best Interests Insurer Review

Suitability
Review

New York Regulation 187 General Overview

What is New York (NY) Regulation 187?

At a high level, NY Regulation 187:

- Takes into consideration that annuities and life insurance can be in a consumer's best interest and can appropriately address a consumer's financial and insurance needs.
- Does not reflect a bias against commissions (both commissions and fee-based compensation will be permitted)
- Requires additional disclosures designed to match the consumer with the right product and requires a consideration of product features and benefits in addition to costs
- Does not contain private right of action (enforcement will be by New York regulators)

What types of in-force transactions are impacted by NY Reg 187?

Under NY Regulation 187, recommendations including in-force transactions must be made in the best interest of the consumer. However, a Suitability Review is only required for in-force transactions involving new sales compensation. New sales compensation does not include compensation provided to a producer when, after the initial premium or deposit under a policy, the consumer pays subsequent premiums or deposits pursuant to the policy or contract. Suitability Review will be required for in-force changes that result in new compensation, such as a specified amount increase.

Is there producer training needed to fulfill the NY Regulation 187 requirement?

Yes. There are two types of pre-sale producer training required to comply with the regulation and must be completed prior to soliciting business in New York:

1. **NY Regulation 187 Best Interests Training; AND**
2. **Carrier-specific product training**

Pre-Sale Requirement 1: NY Regulation 187 Best Interests Training

Is the NY Reg 187 Best Interests training required prior to soliciting New York business?

Yes. Beginning February 1, 2020, Lincoln requires the ***NY Regulation 187 Best Interests training*** to be taken prior to soliciting Life or *MoneyGuard* business in New York. **The application packet must be signed and dated on or after training requirements have been completed.** New/updated paperwork may be required prior to policy issue.

Note: If the application is signed prior to February 1, 2020 AND submitted to Lincoln in-good-order no later than February 28, 2020, the NY Regulation 187 Best Interests training is NOT required for that case.

Where can I take this training?

The NY Regulation 187 Best Interest modules are being provided by certain vendors, as outlined below. Please note: some vendors may not offer a combined Life and Annuity Transaction course and therefore separate courses will be required. Prior to completing Best Interests training, you should consult your back office for an approved vendor list and any additional firm specific requirements.

Vendor	Course Title
RegEd	<ul style="list-style-type: none"> NY Reg 187: Suitability and Best Interest of Clients in <u>Life Insurance and Annuity</u> Transactions (484_NY, a 4 to 5 Hour CE course) <u>or</u> Best Interest of Clients in <u>Life Insurance or Annuity</u> Transactions: NY Reg 187-1 Hour Course (485_NY)
LIMRA	<ul style="list-style-type: none"> Overview of State Best Interest Requirements
Kaplan	<ul style="list-style-type: none"> New York Suitability and Best Interests in <u>Annuity</u> Transactions, or New York Suitability and Best Interests in <u>Life Insurance and Annuity</u>, or New York Suitability and Best Interests in <u>Life Insurance</u> Transactions <p>Versions of the courses shown above are also available for producers holding a New York Non-Resident Insurance License.</p>
QuestCE	<ul style="list-style-type: none"> (NYCS-261350) New York's Best Interest Amendment to Regulation 187 (BI CE), or (BI-New York) New York's Best Interest Amendment to Regulation 187 (BI)
SuccessCE	<ul style="list-style-type: none"> N.Y. Regulation 187 and NAIC Suitability

I took a NY Reg 187 Best Interests training course for annuity transactions earlier in 2019; will this satisfy the requirement for Life & *MoneyGuard*?

Lincoln will accept a combined Life Insurance and Annuity Transactions course provided by the insurance education vendors to satisfy the Life Insurance and Annuity training. Once this requirement has been met, Lincoln does not require re-training.

If the course taken was for Annuity Transactions only, you will be required to complete a course for Life Insurance Transactions prior to soliciting New York business on or after February 1, 2020.

<p>Are producers required to take the Best Interest training every year?</p>	<p>Lincoln requires the NY Regulation 187 Best Interests training be taken prior to soliciting New York business on or after February 1, 2020. Once this requirement is met, Lincoln does not require re-training or re-certification for this requirement. However, you should consult with your back office for any firm specific Best Interests training requirements.</p>
<p>How do I notify Lincoln that I have completed the Best Interests training course?</p>	<p>Lincoln will receive a notification from the vendor when you have completed the Ny Reg 187 Best Interests training course. However, if Lincoln needs to receive verification of course completion prior to being notified by the vendor, you may fax or email the completed training certification to: fax (603) 226-5311 or Contracting@LFG.com. When notifying Lincoln on the completion of the applicable training, we may require a fax, scan, or email version of the completed certificate. This can be faxed to 603-226-5311 or emailed to Contracting@lfg.com.</p>
<p>How do I confirm that my training has been received by Lincoln?</p>	<p>At this time, producers should email LicensingStatus@LFG.com for confirmation prior to submitting business or call 800-238-6252, Option 1, to speak with our Appointment Call Center.</p>

Pre-Sale Requirement 2: Carrier-Specific Product Training

<p>What are the Lincoln product training requirements?</p>	<p>Lincoln has developed three product training modules to comply with NY Reg 187. Product training is required pre-sale for all life insurance business, including Lincoln <i>MoneyGuard</i>[®]. The following modules will be available:</p> <ul style="list-style-type: none"> • Lincoln Fixed Individual Life Insurance • Lincoln Variable Individual Life Insurance • Lincoln <i>MoneyGuard</i>[®] <p>Product training can be accessed via a third-party testing vendor and will be made available on:</p> <ul style="list-style-type: none"> – November 2019: Fixed and Variable Individual Life Insurance – TBD Pending NY Product Approval: Lincoln <i>MoneyGuard</i>
<p>What happens if I don't complete training prior to February 1, 2020 and attempt to submit New York business with Lincoln?</p>	<p>Producers must complete a NY Regulation 187 Best Interests training course <u>and</u> the Lincoln Life Product Training course prior to soliciting New York business with Lincoln after the regulation goes into effect.</p> <p>Beginning February 1, 2020, Lincoln requires the product training to be completed prior to soliciting Life or <i>MoneyGuard</i> business in New York. The application packet must be signed and dated on or after training requirements have been completed. New/updated paperwork may be required prior to policy issue.</p> <p>Note: If the application is signed <u>prior to</u> February 1, 2020 AND submitted to Lincoln in-good-order <u>no later than February 28, 2020</u>, the Lincoln product training is NOT required for that case.</p>

How do I access the Lincoln Product training courses?

Lincoln Product training can be accessed through the following vendors:

Vendor	Course Title	General Access Information
RegEd	<ul style="list-style-type: none"> Lincoln Fixed Individual Life Insurance Nov. 2019 Lincoln Variable Individual Life Insurance Nov. 2019 Lincoln MoneyGuard® <i>Coming Soon</i> 	After logging into the ATP site (https://secure.reged.com/TrainingPlatform/) you will need to enter the following product codes to order these courses. For our Fixed product training, the code is LincolnFixedLife. For our Variable product training the code is LincolnVariableLife.
LIMRA	<ul style="list-style-type: none"> Lincoln Fixed Individual Life Insurance Nov. 2019 Lincoln Variable Individual Life Insurance Nov. 2019 Lincoln MoneyGuard® <i>Coming Soon</i> 	After registering, courses are available under “My Product Training” in the left hand rail or along the bottom of this page https://naic.pinpointglobal.com/LincolnFinancial/Apps/default.aspx
Kaplan	<ul style="list-style-type: none"> Lincoln Fixed Individual Life Insurance Nov. 2019 Lincoln Variable Individual Life Insurance Nov. 2019 Lincoln MoneyGuard® <i>Coming Soon</i> 	Courses are available after registration at https://portal.kaplanfinancial.com/partner/lincolnfg/portal . They will be housed under Product Training.
QuestCE	<ul style="list-style-type: none"> Lincoln Fixed Individual Life Insurance Nov. 2019 Lincoln Variable Individual Life Insurance Nov. 2019 Lincoln MoneyGuard® <i>Coming Soon</i> 	Courses are available when registering at https://learn.questce.com/naicsuitability Existing users will need to have Lincoln Financial Group selected as one of the carrier’s in their “account set up” to view courses.
SuccessCE	<ul style="list-style-type: none"> Lincoln Fixed Individual Life Insurance Nov. 2019 Lincoln Variable Individual Life Insurance Nov. 2019 Lincoln MoneyGuard® <i>Coming soon</i> 	Courses are available after registering at www.lfg.successce.com . Returning visitors will find the course after selecting New York and then “Life.”

This chart provides general information only; check with your back office or the vendor for specific instructions.

How do I notify Lincoln that I have completed the Product training course?

Lincoln will receive a notification from the vendor when you have completed the product training course(s). However, if Lincoln needs to receive verification of course completion prior to being notified by the vendor, you may fax or email the completed training certification to: fax (603) 226-5311 or Contracting@LFG.com.

How do I confirm that my training has been received by Lincoln?

At this time, producers should email LicensingStatus@LFG.com for confirmation prior to submitting business or call 800-238-6252, Option 1, to speak with our Appointment Call Center.

Is Lincoln product training a one-time training requirement or are producers required to take the product training every year?

Once this requirement is met, Lincoln does not require re-training for the same product. However, if there is an update to an existing product or a new product launch, you may be required to complete the Lincoln Product training again for the new/updated product.

If Lincoln makes an update to an existing product or launches a new product and product training is required, how will I be notified?

If new Lincoln Product training is needed, the requirement will be included as part of the product firm filing package and will be included in the Lincoln Leader product launch announcement.

If a case is submitted and Product training has not been satisfied, an Agent Validation requirement will be added to policy and the training must be completed. **The application packet must be signed and dated on or after training requirements have been completed.** New/updated paperwork may be required prior to policy issue.

Requirement 3: Suitability Review

Are there any new requirements for Lincoln application submission in New York?

Yes. Beginning February 1, 2020, Lincoln requires the following:

Prior to soliciting an application for a product in New York:

- Completion of the NY Regulation 187 Best Interests Training Course
- Completion of the applicable Lincoln Life and *MoneyGuard*® product training

Prior to policy issue:

- **Enhanced documentation and suitability review is required.** There are disclosure requirements at the time of sale regarding suitability and product information, including product features, benefits, and costs. There are also producer documentation requirements regarding the basis for any recommendation. The Suitability review must be conducted and approved for all cases prior to policy issue.

The application packet must be signed and dated on or after training requirements have been completed. New/updated paperwork may be required prior to policy issue.

Note: If the application is signed prior to February 1, 2020 AND submitted to Lincoln in-good-order no later than February 28, 2020, the NY Regulation 187 Best Interests training, Lincoln product training and Suitability review is NOT required for that case.

Who conducts the suitability review?

The suitability review may be conducted by Lincoln or may be delegated to Broker-Dealer/Agency partners, as permitted by the final rule.

Lincoln Conducting Suitability Review

- **Fixed product applications:** Lincoln’s **Life Suitability, Best Interest and Summary Disclosure Form [LF11943NY]** must be completed and submitted with all non-variable life insurance applications, including Lincoln *MoneyGuard*
- **Variable product applications:** Suitability review will continue to be completed by the Outside Broker-Dealer
- **Form Availability:** Form LF11943NY will be available in New York product sales kits and on the Lincoln forms tool mid-January 2020; and on order entry platforms by February 1, 2020

Delegated Broker-Dealer/Agency Conducting Suitability Review

- **Fixed product applications:** Suitability review will be conducted according to the delegated Broker-Dealer/Agency process
- **Variable product applications:** Suitability review will continue to be completed by the Outside Broker-Dealer
- Lincoln does not require form LF11943NY for cases reviewed by the delegated Broker-Dealer/Agency

Suitability review must be conducted and approved by the delegated Broker-Dealer/Agency PRIOR to submitting the case to Lincoln

When do I begin using Lincoln’s “Life Suitability, Best Interest and Summary Disclosure Form”?

Lincoln New Business will require this new form [LF11943NY] for any applications and/or Reg 60 paperwork solicited on or after February 1, 2020, in which Lincoln is conducting the Suitability review.

Form LF11943NY will be available in New York product sales kits and on the Lincoln forms tool mid-January 2020, and on order entry platforms by February 1, 2020.

Note: If the application is signed prior to February 1, 2020 AND submitted to Lincoln in-good-order no later than February 28, 2020, Lincoln Suitability review is NOT required for that case.

If my firm is conducting Suitability review, am I also required to complete Lincoln’s Suitability form?

No. If your firm is conducting suitability review, Lincoln’s **Life Suitability, Best Interest and Summary Disclosure Form [LF11943NY]** is not required. Suitability review must be conducted and approved by the delegated Broker-Dealer/Agency PRIOR to submitting the case to Lincoln.

If Lincoln is conducting the suitability review, when will that be completed in the process?

Suitability and Underwriting review will be done concurrently.

- Once the suitability form is in-good-order, the case will proceed to underwriting and suitability review, as applicable.
- If the suitability form is not-in-good-order, and the case has been approved in underwriting, New Business will not issue the case until the suitability review is complete and approved.
- If the suitability form is not-in-good-order, and the case is not yet approved in underwriting, New Business will not issue the case until the review is complete and approved for both suitability and underwriting.

<p>If my case is a 1035 Exchange, will the exchange be initiated prior to or during the suitability review?</p>	<p>No. The 1035 exchange will not be initiated until the Suitability review is completed and approved.</p>
<p>If there are any mid-stream policy changes (after suitability review but prior to policy issue), will this trigger another suitability review?</p>	<p>Yes. If there are any material changes to the policy that would adjust the threshold (e.g. face amount, rider addition, etc), the policy will automatically be sent back through suitability review. The policy will not be issued until the suitability review is completed and approved.</p>
<p>Are there any additional requirements for post-issue changes?</p>	<p>Yes. Beginning February 1, 2020, suitability review will be required for certain post-issue changes, including but not limited to an increase or a rider/benefit addition and any subsequent premiums added to a New York-issued life product for qualified transfers or 1035 exchanges. The Life Suitability, Best Interest and Summary Disclosure Form [LF11943NY] will be required if Lincoln is conducting the suitability review and any post-issue changes must also be accompanied by the standard ACORD form.</p>
<p>Are there any additional requirements for Term Conversions?</p>	<p>For any <u>non-underwritten</u> Term Conversion, a new agent disclosure form, “Licensed Agent’s Certification to Life Suitability and Best Interest” Form LF12023-18, will be bundled with the application and required for Term Conversions issued in the state of New York. In these instances, Lincoln’s Life Suitability, Best Interest and Summary Disclosure Form [LF11943NY] will not be required.</p>
<p>What happens if the product sale is deemed not suitable for the client?</p>	<p>If Lincoln is conducting the suitability review and the product applied for is deemed not suitable for the client’s best interests, the policy will be withdrawn, and notification will be sent to the case contact, agent and client.</p>

Variable insurance products are sold by prospectus. Consider the investment objectives, risks, charges, and expenses of the variable product and its underlying investment options carefully before investing. The prospectus contains this and other information about the variable product and its underlying investment options. Please review the prospectus available online for additional information. Read carefully before investing.

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