

Reg 187 action plan

Compliance requirements and processes for serving NY customers



Understanding the new regulation

The New York Department of Financial Services (NYDFS) issued the **Suitability and Best Interests in Life Insurance and Annuity Transactions** regulation to adopt a best interest standard. It was made effective for Annuities in Aug. 2019 and will take effect Feb. 1, 2020 for life insurance written in New York—whether it's new or existing business.

How it affects advisors

Beginning on Feb. 1, 2020, there are two requirements advisors need to meet and two changes to the application process that you can expect.

Requirement— Best interest training	<ul style="list-style-type: none"> • Approved vendors <ul style="list-style-type: none"> ◦ RegED is the preferred platform. <ul style="list-style-type: none"> ▪ They'll notify us when you've completed the course. ▪ Two options—one with CE credits and one without. Both meet the requirement, and only one is needed. ◦ LIMRA and Kaplan are also approved. <ul style="list-style-type: none"> ▪ Provide your certificate of completion with the first app submitted with a signed date of Feb. 1 or after. ◦ Select a course that includes life insurance (some offer multiple types). • Training completion date must be before the date the app was signed. <ul style="list-style-type: none"> ◦ Otherwise we must reject the app and require a new one to be re-signed after training is complete. • Already took a course? <ul style="list-style-type: none"> ◦ RegED—you're covered, and we'll automatically be informed (no certificate needed). ◦ LIMRA—you're covered*. ◦ Kaplan's life insurance and annuities—you're covered*. ◦ Kaplan's annuities course—life insurance training is still needed*. ◦ Any other vendor—request course approval in advance by contacting New Business*. <p>* Submit a certificate to DLIndLifeBestInterestTrainingCert@exchange.principal.com</p>
Requirement— Life insurance product education	<ul style="list-style-type: none"> • You'll need to make sure you're up-to-speed on the products you can sell. • principal.com/LearnLifeProductsNY is your source for NY-approved product information. • All product details are still available on the Advisor website as well.
Changes to the app— suitability questionnaire	<ul style="list-style-type: none"> • New Life Insurance Needs Analysis and Product Training Certification/Best Interest forms will be added to the NY formal app package and adjustment application in NY. (See below) • Questions about clients' investment goals, financial obligations, net worth, and objectives. • Confirm you're knowledgeable about the product sold (signature required). • Reviewed simultaneously with underwriting, preventing processing delays. • Some inforce transactions that generate additional compensation will also require the new Life Insurance Needs Analysis form. (See below)
Changes to the app— product disclosures	<ul style="list-style-type: none"> • To keep your process easy, disclosures for all available products will be included in a single package for formal NY apps.



This form can be used for each owner who is considering the purchase of a life insurance policy.

Below are factors for the producer and owner to consider when determining if the recommendation to purchase, sell, or exchange a life insurance policy is suitable for the owner.

1. Personal Information

Owner

Printed Name

Date of Birth

Joint Owner

Printed Name

Date of Birth

2. Employment Status

☐ Employed ☐ Retired ☐ Unemployed ☐ Student

☐ Other (specify): _____

☐ Employed ☐ Retired ☐ Unemployed ☐ Student

☐ Other (specify): _____

3. Financial Information (For joint accounts, information may be combined)

A. Investment Goals

Risk Tolerance: ☐ Low ☐ Moderate ☐ High

Source of Income (check all that apply): ☐ Wages ☐ Pension Plan ☐ Investment Income ☐ Other

Tax Status (Federal Tax Bracket): ☐ 10% ☐ 12% ☐ 22% ☐ 24% ☐ 32% ☐ 35% ☐ 37+%

Estimated Annual Income: \$ _____

Investment Experience (years): _____ **Have you previously owned life insurance?** ☐ Yes ☐ No

Source of Funds to Purchase Policy: ☐ Income ☐ Checking/Savings ☐ Annuity ☐ Life Insurance

☐ Other Investment _____

B. Financial Obligations

After purchasing this policy, will you have sufficient income and liquid assets to meet monthly expenses, financial emergencies, and/or personal purchases? ☐ Yes ☐ No

Do you anticipate any changes in your income or financial situation that may impact your ability to afford premium payments on a life insurance policy during the term of your coverage? ☐ Yes ☐ No

C. Net Worth

Assets (readily convertible to cash): \$ _____

Minus Liabilities: \$ _____

\$ _____ = Liquid Net Worth

Total Assets (exclude primary residence and its mortgage): \$ _____

Minus Liabilities: \$ _____

\$ _____ = Total Net Worth

4. Financial and Insurance Objectives for This Policy

A. The reasons for purchasing this life insurance policy are (check all that apply):

- | | | |
|---|--|--|
| <input type="checkbox"/> Asset Diversification | <input type="checkbox"/> Death Benefit | <input type="checkbox"/> Future Cash Value Accessibility |
| <input type="checkbox"/> Asset Value Hedge | <input type="checkbox"/> Enhanced Charitable Gifts | <input type="checkbox"/> Long Term Care Planning |
| <input type="checkbox"/> Business Continuity (Buy Sell Funding) | <input type="checkbox"/> Estate Equalization | <input type="checkbox"/> Retirement Supplement |
| <input type="checkbox"/> Business Continuity (Key Person Insurance) | <input type="checkbox"/> Estate Liquidity | <input type="checkbox"/> Survivor Income |
| <input type="checkbox"/> Collateral for Existing Liability
(years left of obligation: _____) | <input type="checkbox"/> Executive Benefit | <input type="checkbox"/> Tax Deferred Savings |

B. Policy Structure

I need coverage until age _____ or ☐ until death

Are you willing to accept non-guaranteed elements in your policy, including variability in premium, cash value, death benefit or less? ☐ Yes ☐ No

5. Existing Insurance (This chart should be completed when the owner has existing life insurance)

	Policy 1	Policy 2	Policy 3
Insurance Company Name			
Policy Number			
Insured Name			
Policyowner Name			
Policy Type			
Death Benefit			
Premium Amount (annual)			
Issue Year			
Policy Loan amount			
Surrender charges or sales charges (front end, CDSC, etc.)			

- ☐ By checking this box, I attest that I made reasonable efforts to obtain suitability information from the consumer, but the consumer refused to provide it. I have made the consumer aware this can result in an application not being approved.

6. Signature/Authorization

Owner's Printed Name	Owner's Signature	City, State	Date (MM/DD/YYYY)
Joint Owner's Printed Name	Joint Owner's Signature	City, State	Date (MM/DD/YYYY)
Producer's Printed Name	Producer's Signature	City, State	Date (MM/DD/YYYY)
Producer's Printed Name	Producer's Signature	City, State	Date (MM/DD/YYYY)



1. Personal Information

Owner	Joint Owner
Printed Name	Printed Name
Date of Birth	Date of Birth

I certify that:

- I have reviewed all training and policy/rider information at www.principal.com/LearnLifeProductsNY.
- I have informed the consumer of the various positive and negative features of the recommended policy or transaction, including how the recommended transaction relates to any riders.
- I believe the consumer will benefit from the policy or transaction that I have recommended, including as the recommended transaction relates to any riders, based on review of the available options.
- I have gathered and documented suitability information, consumer objectives, and additional relevant information, and reviewed this information with the consumer, and this information represents the basis for my recommendation.
- My recommendation is based solely on the interests of the consumer.
- I have provided the consumer with the relevant policy and rider disclosure documentation made available from Principal Life and have reviewed this with the consumer.
- I have provided the consumer, in a reasonable summary format, the relevant suitability considerations that provided the basis for my recommendations.
- I have a reasonable basis to believe that the consumer has the financial ability to meet the commitments resulting from this transaction.
- If this transaction is a recommendation for a replacement, I have considered and discussed with the consumer any potential fee changes, surrender charges and new surrender schedules, coverage changes, tax implications, changes in duration of coverage or changes in death benefit resulting from the replacement. Based on this consideration, I have determined the replacement is suitable.

2. Signature(s)

All producers who materially participated in making the recommendation to consumer must certify below.
(Attach additional forms, if necessary, for additional producers).

Producer's Printed Name	Producer's Signature	City, State	Date (MM/DD/YYYY)
Producer's Printed Name	Producer's Signature	City, State	Date (MM/DD/YYYY)



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