

**Q1 To what life insurance transactions does Reg 187 apply?**

A1 The regulation applies to sales and inforce recommendations (including hold recommendations) made to purchasers or owners of policies delivered or issued for delivery in New York. The regulation does not apply to recommendations made to owners of policies delivered or issued for delivery in other states even if the owner now resides in New York.

**Q2 What do we consider a *Sales Transaction* under Reg 187 for life insurance?**

A2 The regulation defines a sales transaction as:

- a purchase or issuance of a policy,
- any replacement of a policy as defined in New York Reg. 60, or
- any conversion, modification or election of a contractual provision on an in-force policy that generates new sales compensation. Examples of inforce transactions that generate new sales compensation include term conversions, face increases and rider changes.

New sales compensation does not include compensation generated when, after the initial premium or deposit under a policy, the consumer pays further premiums or deposits pursuant to the policy.

**Q3 What do we consider an *In-Force Transaction* under Reg 187?**

A3 The regulation defines an in-force transaction as any modification or election of a contractual provision with respect to an in-force policy that does not generate new sales compensation. All recommended inforce transactions must be made in the best interest of the customer. Examples of in-force transactions that do not generate new sales compensation include reallocations, beneficiary change requests, address change requests.

**Q4 Will our inforce forms/processes change because of Reg 187?**

A4 We anticipate there may be form modifications or new form requirements for impacted inforce transactions to comply with the regulation. Changes to forms may include the collection of additional information as required by the regulation and/or a New York attestation may be added to the form that will require a signature from the producer which asks the financial professional to attest, among other things, that the sale is suitable and in the best interest of the applicant in accordance with NY DFS Regulation 187.

**Q5 Will we modify our Reg 60 replacement processes because of Reg 187?**

A5 Prudential does not anticipate any changes to our Reg 60 Replacement processes at this time.

**Q6 What are our expectations regarding suitability assessments for life insurance sales under Reg 187 and will this involve any new forms, processes etc.?**

A6 Suitability – 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). However, in situations where the responsibility has not been delegated to a distribution partner, Prudential will perform suitability reviews.

If delegated, the distribution partner will maintain a system of supervision with respect to the overall requirements of the regulation, including conducting suitability reviews for all covered products and best-interest assessments, ensuring appropriate training of its agents and the delivery of required disclosures. Firms to which suitability has been delegated will be subject to monitoring and oversight by Prudential to ensure they are meeting our standards.

A new pre-issue Customer Information form (CIF) will be required in situations where Prudential is performing suitability reviews. As part of that review, additional information may be requested from the selling *producer in order for Prudential to complete its assessment*. If Prudential determines that the sale is not suitable, unless additional information is presented which satisfactorily addresses the concerns, the application will be rejected.

Additionally, a New York attestation will be added to the Prudential Agents Report form that 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 in accordance with NY DFS Regulation 187 including disclosing, in a reasonable summary format, all relevant suitability considerations, and product information, both favorable and unfavorable, that provided the basis for the recommendation; and there is a reasonable basis to believe the applicant has the financial ability to meet the financial commitments of the policy.

**Q6A What financial professional training will be required?**

A6A The financial professional is required to have received training on the regulation, as well as on the product, prior to making any recommendations. 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.

With respect to training on the requirements of the regulation, Prudential anticipates accepting training that is provided by recognized industry training organizations (e.g., RegEd, Kaplan). Training records will be sent to Prudential through the DTCC portal.

Product training on the Prudential products will also be required. This training can be conducted through recognized industry training organization portals (e.g., RegEd, Kaplan). Training records will be sent to Prudential through the DTCC portal. The training will be required for new and existing NY appointments prior to a recommendation being made.

Training approved by NY DFS for Reg 187 can be found on NY DFS website. Prudential product training is anticipated to be available in the 4Q 2019.

**Q7 Will Prudential seek amendments to the selling agreement? When will this be provided to distributors?**

A7 Yes, Prudential will be providing amendments to the selling agreements to the appropriate contracting parties. The timing and process for doing so are being determined.

**Q8 Will there be any changes to the support provided by Prudential Call Centers to customers and financial professionals because of Reg 187?**

A8 Prudential does not anticipate changes to the support provided by its Call Centers for customers and financial professionals.

**Q9 What Reg 187-related records will Prudential expect distributors to maintain?**

A9 Prudential will rely on distribution partners to maintain all records related to the distributor's compliance with Reg 187 including, without limitation, customer information, records demonstrating compliance with the best interest, delegated suitability, disclosure, and training obligations.

Firms to which suitability has been delegated will be subject to monitoring and oversight by Prudential to ensure they are meeting our standards.