

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”** – requires 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 took 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 requires producers and insurers to implement a process ensuring they are acting only in the consumer’s best interest, and not considering 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. New York Regulation 187’s requirements apply to:

- New sales and case submissions,
- Other transactions involving new sales compensation, and
- 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 available from industry vendors. 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
Interest Training

Carrier-specific
Product Training

Best Interest Insurer Review

Suitability
Review

Question	Answer
New York Regulation 187 General Overview	
What is New York (NY) Regulation 187?	<p>At a high level, NY Regulation 187:</p> <ul style="list-style-type: none"> • 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 Regulation 187?	<p>Under NY Regulation 187, recommendations, including recommendations regarding in-force transactions, must be made in the best interest of the consumer. However, a Suitability Review is only required for 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 changes to in-force policies or contracts that result in new compensation, such as a specified amount increase.</p>
Is there producer training needed to fulfill the NY Regulation 187 requirement?	<p>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:</p> <ol style="list-style-type: none"> 1. NY Regulation 187 Best Interest Training; AND 2. Carrier-specific product training
How does this effect NY residents purchasing coverage in another state?	<p>The Regulation is applicable to New York issued contracts only. No part or the solicitation or delivery, including physical exam if applicable, can occur in New York if the policy is to be issued in another state. For more information about sales outside the place of residence, including those for a trust or business, please refer to Lincoln Life Insurance Policy Situs Guidelines.</p>
Does Lincoln have other resources that I can leverage for information on NY Regulation 187?	<p>Yes. Lincoln has developed a NY Regulation 187 landing page where you can access all resources, details and training requirements that we have to offer. Please visit www.LFG.com/Reg187 for more information.</p>

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

Is the NY Regulation 187 Best Interest training required prior to soliciting New York business?	Yes. Beginning February 1, 2020, Lincoln requires the <i>NY Regulation 187 Best Interest training</i> to be taken 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.												
Will new paperwork and/or signatures be required if the training has not been completed for business solicited as of February 1, 2020?	<p>Producer Solutions will advise if the producer fails validation for not being NY Regulation 187 Best Interest training compliant at the time of solicitation; new paperwork must be signed and dated on or after the training completion date.</p> <p>New Business will generate the failed validation letter, indicating the reason, and update the licensing requirement, so the producer will be aware of the training that is needed. Lincoln will require new forms just as we do today with any other failed validation.</p>												
Will underwriting review be conducted if training has not been completed for business solicited as of February 1, 2020?	Lincoln will continue the underwriting process; however, the case cannot proceed further without the application packet being signed and dated on or after training requirements have been completed.												
Where can I take this training?	<p>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 Interest training, you should consult your back office for an approved vendor list and any additional firm specific requirements.</p> <table> <tr> <th>Vendor</th><th>Course Title</th></tr> <tr> <td>RegEd</td><td> <ul style="list-style-type: none"> Best Interest of Clients in <u>Life Insurance</u> or <u>Annuity</u> Transactions: NY Reg 187-1 Hour Course (485_NY). Required vendor fee for this course, or 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), for those needing continuing education credits. Proctor and vendor fee required for this course. </td></tr> <tr> <td>LIMRA</td><td> <ul style="list-style-type: none"> Overview of State Best Interest Requirements </td></tr> <tr> <td>Kaplan</td><td> <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> </td></tr> <tr> <td>QuestCE</td><td> <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) </td></tr> <tr> <td>SuccessCE</td><td> <ul style="list-style-type: none"> N.Y. Regulation 187 and NAIC Suitability </td></tr> </table>	Vendor	Course Title	RegEd	<ul style="list-style-type: none"> Best Interest of Clients in <u>Life Insurance</u> or <u>Annuity</u> Transactions: NY Reg 187-1 Hour Course (485_NY). Required vendor fee for this course, or 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), for those needing continuing education credits. Proctor and vendor fee required for this course. 	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
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<p>I took a NY Regulation 187 Best Interest training course for annuity transactions earlier in 2019; will this satisfy the requirement for Life & MoneyGuard?</p>	<p>Lincoln will accept a combined <u>Life Insurance and Annuity Transactions</u> 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.</p> <p>If the course taken was for <u>Annuity Transactions</u> only, you will be required to complete a course for <u>Life Insurance Transactions</u> prior to soliciting New York business on or after February 1, 2020.</p>
<p>Are producers required to take the Best Interest training every year?</p>	<p>Lincoln requires the NY Regulation 187 Best Interest 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 Interest training requirements.</p>
<p>How do I notify Lincoln that I have completed the Best Interest training course?</p>	<p>Lincoln will receive a notification from the vendor when you have completed the Ny Reg 187 Best Interest 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

What are the Lincoln product training requirements?	<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 are available via third-party testing vendors:</p> <ul style="list-style-type: none"> • Lincoln Fixed Individual Life Insurance • Lincoln Variable Individual Life Insurance • Lincoln MoneyGuard 																		
What happens if I don't complete training prior to February 1, 2020 and attempt to submit New York business with Lincoln?	<p>Producers must complete a NY Regulation 187 Best Interest 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>																		
Will new paperwork and/or signatures be required if the training has not been completed for business solicited as of February 1, 2020?	<p>Producer Solutions will advise if producer fails validation for not being Lincoln NY Life Product training compliant at the time of solicitation and new paperwork must be signed and dated on or after the training completion date.</p> <p>New Business will generate the failed validation letter, indicating the reason, and update the licensing requirement, so the producer will be aware of the training that is needed. Lincoln will require new forms just as we do today with any other failed validation.</p>																		
Will underwriting review be conducted if training has not been completed for business solicited as of February 1, 2020?	<p>Lincoln will continue the underwriting process; however, the case cannot proceed further without the application packet being signed and dated on or after training requirements have been completed.</p>																		
How do I access the Lincoln Product training courses?	<p>Lincoln Product training can be accessed through the following vendors:</p> <table> <tr> <th>Vendor</th><th>Course Title</th></tr> <tr> <td rowspan="3">RegEd</td><td>• Lincoln Fixed Individual Life Insurance Nov. 2019</td></tr> <tr> <td>• Lincoln Variable Individual Life Insurance Nov. 2019</td></tr> <tr> <td>• Lincoln MoneyGuard May 2021</td></tr> <tr> <td rowspan="3">LIMRA</td><td>• Lincoln Fixed Individual Life Insurance Nov. 2019</td></tr> <tr> <td>• Lincoln Variable Individual Life Insurance Nov. 2019</td></tr> <tr> <td>• Lincoln MoneyGuard May 2021</td></tr> <tr> <td rowspan="3">Kaplan</td><td>• Lincoln Fixed Individual Life Insurance Nov. 2019</td></tr> <tr> <td>• Lincoln Variable Individual Life Insurance Nov. 2019</td></tr> <tr> <td>• Lincoln MoneyGuard May 2021</td></tr> <tr> <td rowspan="3">QuestCE</td><td>• Lincoln Fixed Individual Life Insurance Nov. 2019</td></tr> <tr> <td>• Lincoln Variable Individual Life Insurance Nov. 2019</td></tr> <tr> <td>• Lincoln MoneyGuard May 2021</td></tr> </table>	Vendor	Course Title	RegEd	• Lincoln Fixed Individual Life Insurance Nov. 2019	• Lincoln Variable Individual Life Insurance Nov. 2019	• Lincoln MoneyGuard May 2021	LIMRA	• Lincoln Fixed Individual Life Insurance Nov. 2019	• Lincoln Variable Individual Life Insurance Nov. 2019	• Lincoln MoneyGuard May 2021	Kaplan	• Lincoln Fixed Individual Life Insurance Nov. 2019	• Lincoln Variable Individual Life Insurance Nov. 2019	• Lincoln MoneyGuard May 2021	QuestCE	• Lincoln Fixed Individual Life Insurance Nov. 2019	• Lincoln Variable Individual Life Insurance Nov. 2019	• Lincoln MoneyGuard May 2021
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<p>How do I access the Lincoln Product training courses? (continued)</p>	<div> <div> SuccessCE <ul style="list-style-type: none"> Lincoln Fixed Individual Life Insurance Nov. 2019 Lincoln Variable Individual Life Insurance Nov. 2019 Lincoln MoneyGuard May 2021 </div> <p>This chart provides general information only; check with your back office or the vendor for specific instructions.</p> <p>Use the following step-by-step guide for instructions on how to access the Lincoln Product training through our five approved vendors.</p> <p>As part of Lincoln’s standard practice, we will be providing these Lincoln Product trainings at no cost to the producer.</p> </div>
<p>How do I notify Lincoln that I have completed the Product training course?</p>	<p>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.</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>
<p>Is Lincoln product training a one-time training requirement or are producers required to take the product training every year?</p>	<p>Once this requirement is met, Lincoln does not require re-training for the <u>same</u> 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.</p>
<p>If Lincoln makes an update to an existing product or launches a new product <u>and</u> product training is required, how will I be notified?</p>	<p>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.</p> <p>If a case is submitted and Product training has not been satisfied, a Producer 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.</p>

Requirement 3: Suitability Review

<p>Are there any new requirements for Lincoln application submission in New York?</p>	<p>Yes. Beginning February 1, 2020, Lincoln requires the following:</p> <p>Prior to soliciting an application for a product in New York:</p> <ul style="list-style-type: none"> • Completion of the NY Regulation 187 Best Interest Training Course • Completion of the applicable Lincoln Life and <i>MoneyGuard</i>® product training <p>Prior to policy issue:</p> <ul style="list-style-type: none"> • Enhanced documentation and suitability review are 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. <p>The disclosure requirements for each product are available on Lincoln’s producer website, which will require you to login or register. After selecting the product under consideration, the technical reference guides and side-by-side comparisons are available under the Product Details tab located in the right-hand rail.</p> <p>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>Who conducts the suitability review?</p>	<p>The suitability review may be conducted by Lincoln or may be delegated to Broker-Dealer/Agency partners, as permitted by the final rule.</p> <p>Lincoln Conducting Suitability Review</p> <ul style="list-style-type: none"> • 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 <i>MoneyGuard</i>. <ul style="list-style-type: none"> • The Lincoln Corporate Compliance team will be responsible for conducting these suitability reviews • Variable product applications: Suitability review will continue to be completed by the Outside Broker-Dealer • Form Availability: Form LF11943NY is available in New York product sales kits, on the Lincoln forms tool, and on order entry platforms <p>Delegated Broker-Dealer/Agency Conducting Suitability Review</p> <ul style="list-style-type: none"> • 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 <p>Suitability review must be conducted and approved by the delegated Broker-Dealer/Agency PRIOR to submitting the case to Lincoln.</p>
<p>When do I begin using Lincoln’s “Life Suitability, Best Interest and Summary Disclosure Form”?</p>	<p>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.</p> <p>Form LF11943NY is available in New York product sales kits, on the Lincoln forms tool and on order entry platforms.</p>

Does the training need to be completed prior to submitting initial Reg 60 paperwork?	<p>The Best Interest and Lincoln Product training must be completed prior to the solicitation date.</p> <p>If the initial Reg 60 paperwork is dated on or after February 1, 2020, the training requirements will need to have already been completed.</p>
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?	<p>Suitability and Underwriting review will be done concurrently.</p> <ul style="list-style-type: none"> • 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 <u>both</u> suitability and underwriting.
If Lincoln is conducting the suitability review, what is the initial stated service level agreement surrounding turnaround times?	If the suitability form is submitted to Lincoln in-good-order the turnaround time is 3 days from submission. If a midstream change review is required on the case, there will be a 24-hour review time on those changes.
If my case is a 1035 Exchange, will the exchange be initiated prior to or during the suitability review?	No. The 1035 exchange will not be initiated until the Suitability review is completed and approved.
If there are any mid-stream policy changes (after suitability review but prior to policy issue), will this trigger another suitability review?	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.
Are there any additional requirements for post-issue changes?	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.
Are there any additional requirements for Term Conversions?	For any <u>non-underwritten</u> Term Conversion, a new producer 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.
What happens if the product sale is deemed not suitable for the client?	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, producer and client.

If a case is deemed not suitable, is there the opportunity for the producer or back office to clarify any concerns?	Before declining suitability on a case, the Lincoln team will reach out for clarification, even on hard stop items like Reverse Mortgage, in case the form was marked incorrectly. Producers can ask for additional clarification from their dedicated Underwriting and New Business team.
Will the notice go to the client, producer and case contact at the same time or will there be a window before correspondence is sent to the client?	If suitability is declined, then the NBAs will put the policy into a Withdrawn status and follow our current withdrawn procedures. The Suitability Decline letter would be emailed to the case contact/producer and mailed to the client in 5 business days.

Lincoln has created a landing page to house additional information and updates regarding NY Regulation 187. You can access it at www.LFG.com/Reg187

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.

Policies/contracts sold in New York are issued by Lincoln Life & Annuity Company of New York, Syracuse, NY (Lincoln) and distributed by Lincoln Financial Distributors, Inc., a broker-dealer. The contractual obligations are subject to the claims-paying ability of Lincoln Life & Annuity Company of New York.