

A LEGAL & GENERAL AMERICA AGENCY COMMUNICATION

NY REGULATION 194 TAKES EFFECT JAN 1

TO: LEGAL & GENERAL AMERICA GENERAL AGENTS
FROM: FRANK GENCARELLI, SVP, DISTRIBUTION & MARKETING
DATE: DECEMBER 14, 2010

Please be advised that new disclosure requirements for New York producers become effective January 1, 2011. The New York State Insurance Department's Regulation 194, Producer Compensation Transparency, requires producers selling insurance in New York to inform a purchaser either orally or in prominent writing at or prior to the time of application for insurance of the following:

1. the role of the producer in the transaction;
2. whether the producer will receive compensation from the insurer or other third party;
3. that compensation may vary depending on a number of factors; and
4. the purchaser may request from the producer additional details regarding compensation.

If the producer provides this initial disclosure orally, the disclosure must also be provided in prominent writing to the purchaser prior to the issuance of the contract. The producer is required to maintain a copy of the written disclosure provided to the purchaser for at least three years. It should be noted that this disclosure requirement does not apply to an insurance producer that has no direct sales or solicitation contact with the purchaser, such as managing general agents or wholesale brokers.

The four point notice referenced above is called the 'mandatory initial disclosure'. Page two of this communication is a sample mandatory initial disclosure notice approved by the New York State Insurance Department which a producer may choose to use at time of application to be compliant with the mandatory initial disclosure requirement of Regulation 194. This mandatory initial disclosure will not be provided by William Penn in the application packet.

Please note that Regulation 194 and its accompanying Circular Letter No. 18 provide additional guidance to producers regarding what information needs to be provided if the purchaser requests additional compensation information. For your convenience Regulation 194 and Circular Letter No. 18 are attached. Please reference these documents when determining how you should respond to such inquiries.

SAMPLE MANDATORY INITIAL DISCLOSURE
New York State Insurance Department Regulation 194

_____ (“the producer”) is an insurance producer licensed
[Enter name as it appears on license]
by the State of New York. Insurance producers are authorized by their license to confer with insurance purchasers about the benefits, terms and conditions of insurance contracts; to offer advice concerning the substantive benefits of particular insurance contracts; to sell insurance; and to obtain insurance for purchasers. The role of the producer in any particular transaction typically involves one or more of these activities.

Compensation will be paid to the producer, based on the insurance contract the producer sells. Depending on the insurer(s) and insurance contract(s) the purchaser selects, compensation will be paid by the insurer(s) selling the insurance contract or by another third party. Such compensation may vary depending on a number of factors, including the insurance contract(s) and the insurer(s) the purchaser selects. In some cases, other factors such as the volume of business a producer provides to an insurer or the profitability of insurance contracts a producer provides to an insurer also may affect compensation.

The insurance purchaser may obtain information about compensation expected to be received by the producer based in whole or in part on the sale of insurance to the purchaser, and (if applicable) compensation expected to be received based in whole or in part on any alternative quotes presented to the purchaser by the producer, by requesting such information from the producer.