The First Amendment to 11 NYCRR 224, effective August 1, 2019, establishes regulations aimed at ensuring the suitability and best interests of consumers in life insurance and annuity transactions in New York. This regulation seeks to prevent unfair or deceptive practices within the insurance industry and clarifies the responsibilities of insurers and producers when making recommendations to consumers. Insurers are mandated to implement standards and procedures that prioritize the best interests of consumers, addressing their insurance needs and financial objectives. The regulation applies to all transactions or recommendations related to life insurance policies and annuities, with specific exemptions for direct response solicitations, certain employee benefit plans, corporate policies, credit life insurance, and life settlement contracts.

Key definitions include "consumer," which refers to the owner or prospective purchaser of a policy, and "insurer," encompassing life insurance companies and fraternal benefit societies. Producers and insurers are required to act in the best interest of consumers by evaluating relevant suitability information, including factors such as age, income, financial situation, objectives, and intended use of the policy. Recommendations must be based solely on the consumer's interests, and while producers may receive compensation, it must not influence their recommendations.

Insurers and producers must ensure that consumers are informed about the features and potential consequences of the policies, including surrender charges, tax implications, and any limitations or exclusions. The regulation emphasizes that the suitability of a transaction must be assessed based on the consumer's specific circumstances, particularly in cases of replacement policies, where additional considerations regarding potential costs and benefits must be taken into account. The overarching goal of the regulation is to enhance consumer protection in life insurance and annuity transactions by establishing clear standards for conduct and accountability.

The insurance policy further outlines the responsibilities of producers and insurers concerning the recommendation and sale of annuity contracts. Producers and insurers must consider various factors in the consumer's best interest, including policy benefits, pricing, and the insurer's financial strength. Before recommending an annuity purchase or replacement, reasonable efforts must be made to obtain the consumer's suitability information, and an insurer cannot issue an annuity contract unless it is deemed suitable based on this information. If no recommendation is made, or if a recommendation is based on inaccurate information provided by the consumer, the producer or insurer has no obligation to the consumer. Producers are required to disclose all relevant suitability considerations and document the basis for their recommendations, including any refusal by the consumer to provide information.

Insurers must maintain a supervision system to ensure compliance with these regulations and ensure that producers are adequately trained. Producers are prohibited from making recommendations without sufficient knowledge and must not dissuade consumers from providing accurate information or filing complaints. Additionally, producers must not use titles implying financial planning services unless properly licensed. Insurers are obligated to provide consumers with requested policy information and ensure that compensation structures do not lead to recommendations that are not in the consumer's best interest. In cases of proposed replacements, both the replaced and replacing insurers must provide necessary policy information. Insurers are responsible for corrective actions if a consumer is harmed due to violations of these regulations. All records related to these transactions must be maintained according to specified regulations, and violations of these provisions are considered unfair practices under insurance law. Compliance with these amendments is required for annuity transactions and subsequently for life insurance policies within six months of the effective date.