



Prudential

An Important Update for New York

December 21, 2010

New York Regulation 194 - Producer Compensation Transparency

Beginning **January 1, 2011**, producers will be required to provide certain compensation disclosures to purchasers of all insurance and annuity products in New York. Prudential is developing internal processes to support Brokerage General Agents in their efforts to assist producers in meeting their obligations. Attached for your reference are copies of the regulation and NY Circular Letter No. 18 (2010).

Prudential's Obligation

As an insurance carrier, our duty is to maintain information on the compensation we pay to producers. We have no plans to implement new forms or procedures as part of the life insurance application process. Upon request by the BGA or the producer, Prudential will provide the applicable rates for compensation we expect to pay directly to the producer and the expected duration of the policy based on the application submitted.

Producer Obligations

The producer has responsibility for providing compensation disclosure to the client and for maintaining copies of any written disclosures provided. The term "producer" is defined for this purpose to include anyone who has direct sale or solicitation contact with the purchaser and receives compensation that is based, in whole or in part, on the sale of the insurance product.

Required Disclosures

The regulation is applicable to business solicited in the state of New York, if the application is taken in New York, if the policy or contract is delivered in New York or if a New York policy or contract is issued. The producer must provide the following disclosures:

Mandatory initial general disclosure to all purchasers at or before the time of application. This disclosure should include:

- A description of the role of the producer in the sale;
- Who pays the producer, such as the insurer and/or other third party;
- The factors that may impact compensation received (if applicable), such as the:
 - Insurer and the insurance contract selected;
 - Volume of business the producer gives to an insurer; and/or
 - Profitability of the producer's business provided to the insurer;
- That the purchaser may obtain information about the compensation expected to be received by the producer on the sale and any alternative quotes presented.

If the purchaser requests more information, the producer must provide descriptions of the following prominently and in writing either before or when the policy is issued:

- The nature, amount and source of any compensation received from the sale;
- Any alternate quotes presented by the producer, including the coverage, premium and compensation the producer would have received from the sale of such coverage;
- Any material ownership interest the producer has in the insurer or that the insurer has in the producer; and
- A statement of whether the producer is prohibited by law from altering the amount of compensation received from the insurer.

Additional Information

The attached regulation and Circular Letter include other important details about the timing and content of the required disclosures. There are also exceptions to the disclosure requirements, such as insurance producers who have no direct sales or solicitation contact with purchasers. These documents should be read to fully understand producers' obligations under the new regulation.

Beginning January 3rd, you can contact our Brokerage Compensation team (877-782-7654 Option 2 or pruexpress.compensation.experts@prudential.com) with any requests you receive.

In the meantime, please direct any questions concerning Prudential's support of your NY Reg. 194 efforts to Rich DeJulio, VP, Business Quality & Control (richard.dejulio@prudential.com).

[Click here to view NY 194 details.](#)

[Click here to view NY Circular Letter.](#)

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