

NY Regulation 187

Producer Pocket Guide

Use this document to help determine suitability for clients when the contract state is NY.

This is a summary of the general Premium/Income Affordability Guidelines to help producers understand the affordability considerations for purposes of assessing a client's suitability. Producers should use these guidelines as a reference. There is no guarantee or assurance that any specific case will be approved if it falls in these guidelines, and cases within these guidelines may be subject to manual review for a suitability assessment. In addition, cases outside these guidelines may be determined to be suitable when the owner's source of premiums will be other than income.

- Where client income falls on the lower end of the range, suitable recommendations should be closer to the lower range of permissible Premium/Income ratios.
 - Example:** the suitable premium/gross household income ratio for a 25 year old with a gross household income of \$69,000 would be less than 15%.

Affordability

Premium % of Gross Household Income for Multi-Pay Policies

Owner Age	<\$50,000	\$50,000-\$100,000	\$100,000-\$150,000	\$150,000-\$200,000	>\$250,000
18 – 29	< 10%	< 15 - 20%	< 20 – 25%	< 25 – 30%	< 30%
30 – 35	< 10%	< 15 - 20%	< 20 – 25%	< 25 – 30%	< 30%
36-54	< 10%	< 15 - 20%	< 20 – 25%	< 25 – 30%	< 30%
55-64	< 10%	< 15 - 20%	< 20 – 25%	< 25 – 30%	< 30%
65+	< 15%	< 15 - 20%	< 20 – 25%	< 25 – 30%	< 25%

Premium % of Disposable Income for Multi-Pay Policies

Owner Age	<\$50,000	\$50,000-\$100,000	\$100,000-\$150,000	\$150,000-\$200,000	>\$250,000
18 – 29	< 10%	< 10%	< 15%	< 20%	< 20%
30 – 35	< 10%	< 15 - 20%	< 20%	< 25 – 30%	< 25%
36-54	< 10%	< 15 - 20%	< 30%	< 35 - 40%	< 50%
55-64	< 10%	< 15%	< 25%	< 30 – 35%	< 35%
65+	< 15%	< 15 - 20%	< 20%	< 25%	< 25%

% of Liquid Net Worth for ALIR/LISR Lump Sum Payments*

Owner Liquid Net Worth	% of Liquid Net Worth
< \$100,000	< 10%
> \$100,000	< 20%

% of Liquid Net Worth for UL Guard / SUL Guard*

Owner Liquid Net Worth	% of Liquid Net Worth
All Cases	< 20%

% of Liquid Net Worth for CareChoice One*

Owner Liquid Net Worth	% of Liquid Net Worth
< \$50,000	Not Suitable
\$50,000 - \$100,000	< 25%
> \$100,000	< 50%

* Note: For purposes of determining Premium as % of Liquid Net Worth, do not include 1035 exchange amount.

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NY Regulation 187: Producer Pocket Guide to Life Insurance Suitability

Suitability Watch Items:

- Always ensure that client has a death benefit need when selling life insurance
- Ensure the recommended product is consistent with the client's financial objectives
- Ensure that the primary purpose for the product is suitable for the client given the client's financial situation
- Ensure that life insurance coverage is sufficient to cover liabilities when selling for income replacement
- When selling accumulation focused life insurance, ensure that the client has sufficient income and net worth to afford the premiums and sufficient investment experience to understand accumulation and distribution/income strategies.
- Use caution when selling accumulation focused life insurance when there are no other savings and client is not currently contributing to a retirement plan
- If client is relying on gift or other third party sources (e.g. inheritance) to pay premium, ensure client understands the premium obligation if the gift or other sources are exhausted
- Ensure client understands the risks of the policy, including whether the premiums or insurance costs (COIs) can increase over the policy's life, whether the death benefit is guaranteed for life, and that dividends can decrease and therefore the policy's cash values and death benefit can be lower than illustrated.

Do not submit an application if:

- Client's source of funds is using withdrawals from retirement account (e.g., 401(k), IRA) to pay premium AND client will incur a 10% penalty
- Client's source of funds is using withdrawals from retirement account to pay premium and client has or will have a hardship withdrawal
- Client has or intends to obtain a reverse mortgage – unless, purchasing a hybrid life/LTC product (CareChoice One or CareChoice Select)

Required Steps:

- Complete NY Regulation 187 Best Interest training. For details, refer to your **Training Quick Start Guide**
- Refer to your **Sales Process Guide** for updated form information and process changes. While this is not required, it provides a valuable overview of requirements
- Complete a fact finder and conduct a needs analysis to develop your product recommendation
- Complete all training for any product being proposed, prior to submitting the application – this includes all producers on the case
- Complete the appropriate **Life Insurance Suitability Questionnaire**.
 - Refer to the **NY Only: Producer Guide to the Life Insurance Suitability Questionnaire** for assistance, if needed.
 - Complete the sections regarding features and risks
 - Clearly and accurately provide the rationale for the recommendation
- Submit the application
- Upload a pre-sale illustration signed by the client and producer
- If a replacement, complete all replacement questions in the **Suitability Questionnaire** and also attach an inforce illustration(s) for the policy(ies) being replaced, a side-by-side comparison and a producer explanation for the replacement
- If the recommendation changes (due to case design, or underwriting offer), update the suitability information using the appropriate Suitability Change form (including updating the rationale) and submit – this is required before the case is issued
- Deliver the policy