



**AIG Retirement Services**<sup>1</sup>  
2919 Allen Parkway, L13-10  
Houston, TX 77019  
[www.valic.com](http://www.valic.com)

August 1, 2019

### *New York Best Interest Rule for Annuities & Life Insurance*

Dear Selling Partner:

We're writing to ensure that you, our valued partner, are aware that **New York has important new requirements for sales of annuities and life insurance**, and that you know what this new rule means in the course of our doing business together.

The new **Suitability and Best Interests in Life Insurance and Annuity Transactions** rule ("New York Reg 187" or "Best Interest Rule") amends the state's suitability requirements for annuities (effective August 1, 2019) and introduces suitability requirements for life insurance (effective February 1, 2020).

Today, we're communicating about annuity-related requirements.

#### **New Requirement for Best Interest Rule Training**

Agents must take training on the Best Interest Rule, and if not already completed, must also take the applicable product-specific training prior to any sale made on or after the August 1, 2019 effective date. AIG Retirement Services works with RegEd but other certificates may be accepted.

Your representatives with a New York license or New York clients who are appointed with VALIC were notified on June 17, 2019 and reminded on July 30, 2019 that they must provide a completion certificate for approval to [VFAContinuingEd@VALIC.com](mailto:VFAContinuingEd@VALIC.com) before August 1, 2019 to maintain their appointment with VALIC.

#### **Annuity Suitability Supervision Under the Amended Rule**

Since your firm accepted the delegated responsibility for supervision of agent compliance with state annuity suitability requirements, we're outlining here our expectations as to your supervisory obligations under New York Reg 187.

The rule requires that an agent's recommendation be based on the evaluation of the relevant suitability information, which has been amended to include additional suitability criteria. *Please see the enclosed Compliance Bulletin for details.*

- we expect that you will add these elements to your own forms.
- we also expect that your firm will review the content of the Regulation 60 replacement paperwork as part of your suitability supervision obligations for sales transactions.

#### **Monitoring of New York Reg 187 Best Interest Compliance**

Under the new rule, agents are responsible for ensuring that sales transactions are in the client's best interest. For our part, after the effective date, we will perform risk-based, post-issue best interest audits of certain sales transactions. We may begin auditing for compliance with New York Reg 187's best interest requirements for agents recommending sales transactions, including a review of documentary evidence for the case file, which could comprise:



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- evidence of the required commission disclosures
- documentation of the basis of the agent's recommendation
- documentation of all relevant suitability information ("Client Profile")
- verification of the methodology used to ensure that the transaction is in the best interest, including the output of any financial analysis software, proprietary software, or another strategy to determine the product was in the client's best interest
- procedures reasonably designed to comply with the Best Interest Rule and your supervisory obligations

**Compliance Bulletin for Agents/Brokers**

The accompanying bulletin outlines the agent's responsibilities under New York Reg 187, including the new suitability information required. Please distribute this bulletin to your selling agents/brokers who are appointed with VALIC. We appreciate your assistance in helping educate your agents.

Thank you for your business and your cooperation in complying with this new regulation in the state of New York.

Sincerely,

*Charles Burger*

Charles Burger  
Chief Compliance Officer  
VALIC

<sup>1</sup> AIG Retirement Services represents AIG member companies – The Variable Annuity Life Insurance Company (VALIC) and its subsidiaries, VALIC Financial Advisors, Inc. (VFA) and VALIC Retirement Services Company (VRSCO). All are members of American International Group, Inc. (AIG)