


**MetLife** 

## New York State Regulation 194 Producer Compensation Transparency

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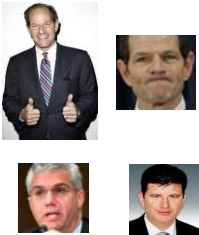
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### History of Regulation 194

- Genesis of the Idea
  - Attorney General/Governor Spitzer
  - Carryover Proposal
- Public Hearings in 2008
  - NYID & NYS AG
  - Varied Testimony
    - Life Insurers say follow the NAIC model.



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### History of Regulation 194

- Nuts and Bolts
  - First Draft Exposed February, 2009.
  - Second & Third Drafts, July and September respectively.
  - Proposed Regulation, December 2, 2009.
  - **Adopted, February 10, 2010.**



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Required Actions

- Two Layers of Disclosure
  - Disclosure of producer compensation, ownership interests and role in the insurance transaction
  - Section 30.3(a) = Narrative Disclosure.
  - Section 30.3(b) = If asked, must provide more information about compensation.



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Required Actions

- Section 30.4 = Retention of Disclosure
  - Retain disclosure for not less than 3 years, unless insurer agrees to retain copies.
- Section 30.5 = Exceptions
  - Reinsurance
  - Captive insurance
  - No direct solicitation
  - No license is required
  - Renewals

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Required Actions

- Section 30.6 = Obligations of an Authorized Insurer
  - Maintain a record of compensation paid.



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### January 1, 2011 Effective Date

- No Delay in Effective Date
  - Appeal Rejected.
- Reasonable Enforcement
  - In the first six months after the regulation's effective date, the Department's enforcement efforts will focus primarily on violations that are willful or egregious or demonstrate a pattern or practice of wrongdoing.



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### Wild Card?

- Suit Filed to Block Regulation
  - The Independent Insurance Agents and Brokers of New York (IABNY) and the Council of Insurance Brokers of Greater New York (CIBGNY) sue.



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### Wild Card?

- The NYID does not have authority under New York law to mandate compensation disclosure.
- The regulation "represents an impermissible attempt to rewrite the Insurance Law on a subject as to which the Legislature has already specifically legislated."
- Parts of the regulation "impose massive and unwarranted costs of compliance on brokers so as to constitute an arbitrary exercise of regulatory power," and
- The regulation violates producers' rights to due process and equal protection under the U.S. and New York State Constitutions.



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