



Principal Life Insurance Company
P.O. Box 10431
Des Moines, IA 50306-0431

**Compensation
Information**

(Producer Name)

is an insurance producer (producer) licensed by the State of New York. Producers are authorized by their license to confer with insurance purchasers (purchasers) about the benefits, terms and conditions of insurance contracts; to offer advice concerning the substantive benefits of particular insurance contracts; to sell insurance; and to obtain insurance for purchasers. The role of the producer in any particular transaction typically involves one or more of these activities.

Compensation will be paid to the producer, based on the insurance contract the producer sells. Depending on the insurer(s) selling the insurance contract, or by another third party, such compensation may vary depending on a number of factors, including the insurance contract(s) and the insurer(s) the purchasers select. In some cases, other factors such as the volume of business a producer provides to an insurer, or the profitability of insurance contracts a producer provides to an insurer, may also affect compensation.

The purchasers may obtain information about compensation expected to be received by the producer, based in whole or in part on the sale of insurance to the purchasers, and (if applicable), compensation expected to be received based in whole or in part on any alternative quotes presented to the purchasers, by requesting such information from the producer.

TO BE LEFT WITH INSURANCE PURCHASERS

Q&A on New York Regulation 194 – Compensation Transparency

Q. What is New York Regulation 194 – *Producer Compensation Transparency*?

A. Regulation 194 establishes minimum disclosure rules requirements regarding the role of insurance producers and the compensation paid to them.

Q. When does Regulation 194 take affect?

A. Producers must comply beginning Jan. 1, 2011.

Q. Which producers must comply with Regulation 194?

A. Producers with a New York insurance license who sell insurance products in New York. This affects both New York producers and those in other states holding New York nonresident licenses, but applies only to the issuance of a new policy or contract in the state of New York.

Q. Which products are covered by Regulation 194?

A. All insurance products that require a New York insurance license. Life insurance, variable life insurance, fixed annuities, variable annuities, disability insurance, group non-med, group annuities used to fund retirement plans, and insurance products sold through Preferred Product Network are covered by this disclosure policy. Mutual funds and general securities are not covered by Regulation 194 because they are governed by separate securities disclosure rules.

Q. Does Regulation 194 apply only to new sales?

A. Yes, the disclosure rules apply only to the issuance of a new policy or contract in the state of New York. Disclosure is not mandatory when an existing policy or contract is modified (policy face amount increase, etc...) or otherwise amended.

Q. In what instances do I need to disclose compensation?

A. Disclosure is required if the receipt of compensation is based in whole or in part on the sale of an insurance contract or policy. You must provide the purchaser with an Initial Disclosure, similar to the contingent compensation form you have already been providing to clients. This new disclosure is in addition to the contingent compensation form you may have already been providing to New York clients.

Q. What constitutes compensation for purposes of Regulation 194?

A. Compensation is defined as anything of value – money, credits, loans, trips, prizes, or gifts, whether paid as commission or otherwise. It doesn't include, however, tangible goods with an insurer's name, logo or other advertisement, having a value of less than \$100 per year.

Q. Do I need to retain a copy of the disclosure provided to the purchaser?

A. Yes. You are required to keep a copy of each disclosure provided to the purchaser for at least three years. Be sure to keep a copy in the client file as auditors will look for the document during a desk audit.

Q. What information must be disclosed to the purchaser?

A. There are two possible disclosures — the Initial Disclosure and the Second Disclosure. Each disclosure has specific content and timing requirements regarding what information must be included and when the disclosures must be provided.

Q. What information is included in the Initial Disclosure?

A. The Initial Disclosure must contain the following information:

- The role of the producer in the insurance transaction;
- Whether the producer will receive compensation from the insurer or a third party, based in whole or in part on the sale of the insurance policy/contract;
- That the producer's compensation may vary depending upon a number of factors; and
- That the client may request additional information from the producer about the compensation the producer expects to receive

Q. When do I need to provide the Initial Disclosure?

A. The Initial Disclosure is mandatory and must be provided orally or in writing at or prior to the time of application for the insurance policy or contract. If the Initial Disclosure is provided orally, it must be provided in writing no later than the issuance of the contract.

Q. What information is included in the Second Disclosure?

A. The Second Disclosure must contain the following information:

- A description of the nature, amount and source of any compensation to be received by the producer, based in whole or in part on the sale;
- A description of any alternative quotes presented by the producer, including coverage, premium and compensation that the insurance producer would have received based in whole or in part on the sale of any such alternative coverage;
- A description of any material ownership interest the insurer issuing the insurance contract or any parent, subsidiary or affiliate has in the insurance producer or any parent, subsidiary or affiliate; and
- A statement whether the insurance producer is prohibited by law from altering the amount of compensation received from the insurer in whole or in part on the sale.

Q. When do I need to provide the Second Disclosure?

A. The Second Disclosure is provided only upon request. If the client requests the Second Disclosure prior to policy/contract issuance, the disclosure must be provided prior to policy/contract issuance. Or, if time is of the essence to issue the policy/contract, the Second Disclosure must be provided within five business days of the request. If the Second Disclosure is requested after issuance, but less than 30 days after policy/contract issuance, the disclosure must be provided within five business days of the request.

Q. Who is considered a purchaser for purposes of this disclosure?

A. The purchaser is the person or entity to be charged under the insurance contract or a group policyholder. This may include the named insured, the policyholder, or the owner of the policy or contract, including an applicant. It does not include a certificate holder or member under a group annuity or blanket insurance contract unless the producer has direct sales or solicitation contact with a certificate holder or member and the cert holder/member pays the entire premium.

Q. Where do I get the Initial Disclosure?

A. The Initial Disclosure is included in the application or fee proposal forms of several products. Other products will require you to provide a separate standalone Initial Disclosure form.

- Individual life and DI products
 - The Initial Disclosure wording is a standalone disclosure included as part of the application packet.
 - DD9052 NY will be available in Virtual Supply the last week of December.

- [Example wording](#) (PDF: 24 KB)
- Individual annuity products
 - The Initial Disclosure wording is incorporated in the application forms.
 - [Example wording](#) (PDF: 16 KB).
- Group annuity products (Full Service Accumulation)
 - The Initial Disclosure wording is included in the fee proposal material.
 - [Example wording](#) (PDF: 16 KB)
- Group annuity products (Single Premium)
 - The Initial Disclosure wording is incorporated into an existing disclosure form.
 - [Example wording](#) (PDF: 16 KB)
- Group non-med products
 - The Initial Disclosure wording is incorporated in the application forms.

Q. Where can I obtain the Secondary Disclosure?

- A. The Secondary Disclosure is unique to each producer. You will need to contact the Home Office for compensation information on all Principal Life insurance products.
- Individual life products – [Leo Herbers](#), 515-247-6646
 - Individual annuity products – [Leo Herbers](#), 515-247-6646
 - Individual DI products – [Leo Herbers](#), 515-247-6646
 - Group annuity products (Full Service Accumulation) – Marketer Services: 800-388-4793, options 4, 2, 3
 - Group annuity products (Single Premium) – Marketer Services: 800-388-4793, options 4, 2, 3
 - Group non-med products – Marketer Services: 800-388-4793, options 4, 2, 2

Q. Where do I obtain the disclosures for insurance products sold through Preferred Product Network?

- A. For non-proprietary variable life and variable annuity products, the initial disclosure form – [DD9058](#) (PDF: 80 KB) – should be used. For all other non-proprietary fixed business, please contact the PPN Sales Team at 877-270-5592, x4310 or your dedicated sales manager.

Q. If I am affiliated with another entity, such as a broker-dealer other than Princor, how do the disclosure requirements impact me?

- A. You will need to work with the specific entity or broker-dealer you are affiliated with regarding the appropriate disclosures. NY Regulation 194 is a *producer* disclosure requirement, thus disclosure is specific to each producer's situation. We are providing assistance for our products; however, other entities may have their own forms and disclosure materials.