

Dohrn Insurance Training, Inc. -EXAMINATION ANSWER SHEET

GRADING OPTIONS AND PROCEDURES ARE LOCATED ON THE NEXT PAGE

YOU MUST SUPPLY ALL INFO BELOW IF YOU ARE FAXING OR EMAILING THIS SHEET:

NAME _____ SIGNATURE _____ NPN _____

(PRINT)

DAYTIME PHONE: _____

(Passing score is 70% correct: 18 of 25 questions must be answered correctly)

PLEASE INDICATE YOUR ANSWER BY USING A PENCIL AND MARKING AN "X" THROUGH THE LETTER (A, B, C, D) WHICH YOU HAVE SELECTED AS THE CORRECT ANSWER

NAME _____ SIGNATURE _____ NPN# _____

(PRINT)

"Suitability in Annuity Transactions"

- 1) A B C D
- 2) A B C D
- 3) A B C D
- 4) A B C D
- 5) A B C D
- 6) A B C D
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- 18) A B C D
- 19) A B C D
- 20) A B C D
- 21) A B C D
- 22) A B C D
- 23) A B C D
- 24) A B C D
- 25) A B C D

As of July 1, 2012, Successful completion of this course is required under Title 50; Chapter 1; Subchapter ii; Part 3120 in order to sell, solicit or negotiate the transaction of annuity business in the state of Illinois.

GRADING OPTIONS: CE SELF-STUDY

To locate Your NPN (National Producer Number), go to this link and follow the simple directions:

<https://pdb.nipr.com/html/PacNpnSearch.html>

AFTER YOU HAVE COMPLETED YOUR COURSE EXAM ANSWER SHEET AND ARE READY TO SUBMIT THE COURSE FOR GRADING AND REPORTING TO ILLINOIS FOR CREDIT, YOU HAVE THE FOLLOWING OPTIONS TO HAVE YOUR EXAM SCORED. SELECT THE OPTION YOU DESIRE.

A) SCORE YOUR EXAM ONLINE (FASTEST SERVICE)

- 1) Go to DOHRNIT.COM Homepage and, at the lower, right hand corner
- 2) CLICK the Quick Link "Grade My CE Exam"
- 3) Type in your REGISTRATION Number
- 4) Select the CE exam you want graded
- 5) On the next screen, confirm your information and NPN
- 6) Enter your response for each question
- 7) CLICK "Finish" and receive your results

Your unique registration number was emailed to you as part of your original registration. After requesting to grade your CE exam, a screen will appear asking for you to confirm the information you entered at registration. If you did not provide your correct NPN during the registration process, **you must provide your NPN at this time**, otherwise you will not be able to submit your CE exam for grading online.

After receiving grading access, simply enter your letter choice next to each question number. You cannot leave any question unanswered. After entering all answers, click the "Finish" button. In a matter of seconds your score will be shown (70% is passing). Incorrect responses will not be disclosed.

- If you passed, an immediate email with your completion letter attached will congratulate you and notify DOHRN so we can promptly report your course completion to State Based Systems, Inc.
- If you failed and think you may have entered the wrong responses or mistakenly asked to score the wrong exam, the system will allow you to re-enter your answers to re-grade one time.

B) SCAN AND EMAIL YOUR COMPLETED ANSWER SHEET(S) TO:

INFO@DOHRNIT.COM With the subject line: **Grade CE**

All emailed exams received by 8 AM any regular business day will be graded and reported that business day. Exams received after 8AM are reported the next business day. You will be notified by telephone of your results.

C) FAX YOUR COMPLETED EXAM ANSWER SHEET(S) TO 847-455-1153 ANYTIME!

They are graded and reported on the same basis as described above in Option B.

D) BRING YOUR COMPLETED ANSWER SHEETS TO OUR OFFICE FOR SCORING DURING REGULAR BUSINESS HOURS

"Suitability in Annuity Transactions"

25 Question Nonsupervised Exam.

A minimum passing score of 70% (at least 18 correct) is required for successful completion.

Part 1- 3120 Suitability in Annuity Transactions (5 Exam Questions)

- 1) All of the following information is included in the concept of determining suitability for an annuity product, EXCEPT:
 - A) Financial time horizon
 - B) Risk Tolerance
 - C) Employment history
 - D) Annual Income
- 2) What is the main reason for annuity suitability rules?
 - A) To determine whether or not the customer understands market risk.
 - B) To prevent an insurance company from issuing an annuity to a consumer unless there is a reasonable belief that the annuity is suitable based on all the suitability factors gathered.
 - C) To make certain that all replacement rules have been properly observed prior to the issuance of an annuity.
 - D) To assure that the purchaser of an annuity product is aware of most of the features of the annuity that they are purchasing.
- 3) Under which of the following circumstances would suitability rules apply to the purchase of an annuity.
 - A) The consumer is going to retire in about three years and wants to place a large lump sum of cash into an annuity in anticipation of supplementing his retirement income.
 - B) The consumer is thinking of buying an annuity but refuses to disclose his annual income and net worth to the insurance company.
 - C) The consumer purchased an annuity but concealed many key factors about his actual financial condition from the producer.
 - D) The consumer ignored the recommendation of an annuity made by a producer based on suitability criteria and decided to purchase an annuity that is not suitable for him.

- 4) Insurance companies must create supervision systems to make certain that its producers are complying with suitability laws and rules. This supervision system DOES NOT include which of the following elements?
- A) The company must offer training to the producer which is specific to any annuity product offered by it for sale.
 - B) An annual report detailing the effectiveness of the company supervision system must be made to senior management.
 - C) The company must maintain review procedures to assure that all recommendations had a suitable basis before the issuance of an annuity to the consumer.
 - D) Senior management of every insurance company selling annuities in Illinois must provide quarterly reports to the Director of Insurance with details of proof of company suitability compliance procedures.
- 5) Suitability training required for annuity sales under Illinois law include all of the following topics of information, EXCEPT:
- A) Appropriate sales practices.
 - B) History of the annuity.
 - C) Types of annuity.
 - D) Primary uses of an annuity
- 7) Which of the following Annuity classifications allow cash value to be invested into actual mutual funds?
- A) Fixed
 - B) Variable
 - C) Equity-Index
 - D) Mutual-Index
- 8) A consumer who wants better returns than offered by a fixed annuity but is concerned about the volatility of a variable annuity would probably be best served with which of the following classification of annuity?
- A) Fixed
 - B) Variable
 - C) Equity-Index
 - D) Single Pay
- 9) Which of the following Annuity classifications places the investment risk on the insurance company to provide guaranteed investment returns that are periodically adjusted during the accumulation phase?
- A) Fixed
 - B) Variable
 - C) Equity-Index
 - E) Mutual-Index

Part 2- Annuity (17 Exam Questions)

- 6) The main difference between an Annuity and Traditional Life insurance is that
- A) Traditional Life insurance is mainly purchased in order to provide a steady income during the owner's retirement years.
 - B) Traditional Life insurance does not allow for the tax-deferral of accumulation cash values.
 - C) Annuities normally stop paying a benefit when the annuitant dies while in Traditional Life insurance death is required to trigger the full benefit payable.
 - D) Annuities pay absolutely nothing to a beneficiary upon the death of the annuitant during the accumulation or payout phase.
- 10) When the annuitization of a Variable Annuity is selected, which of the following elements will always remain fixed and never change?
- A) The Annuitant
 - B) Value of a single unit each payment
 - C) Number of units liquidated each payment
 - D) Investment return on remaining capital

- 11) The Equity-index annuity is different from other annuities classifications because of
- A) The manner in which the annuity value is credited with interest.
 - B) The manner in which surrender fees operate.
 - C) The manner in which annuitants receive periodic benefits
 - D) The manner in which producer is licensed by the state in which he or she operates.
- 12) If an annuity owner wants to begin receiving regular period benefits as quickly as possible, they would likely select which of the following types of annuity?
- A) Immediate
 - B) Single Pay
 - C) Deferred
 - D) Flexible Premium
- 13) If an annuity owner wants to accumulate a sizable cash value over many years, they would likely select which of the following types of annuity?
- A) Immediate
 - B) Single Pay
 - C) Deferred
 - D) Flexible Premium
- 14) The formula that is used to determine what percentage of an annuity payment is taxable upon annuitization is called
- A) The Taxation Application
 - B) The Exclusion Ratio
 - C) Inclusion Ration
 - D) There is no formula, age tables are used to make this determination.
- 15) If an annuitant seeks the greatest guaranteed periodic income from a company upon annuitization, he or she should select
- A) Joint Life Annuity
 - B) Period Certain
 - C) Refund Annuity
 - D) Life Annuity
- 16) If an annuitant wants to tie regular and period payments to his life and at least one other such that the benefit will stop upon the death of the first annuitant, he should select
- A) Joint Life Annuity
 - B) Joint and Survivor
 - C) Refund Annuity
 - D) Life Annuity
- 17) Which of the following is true concerning the parties to an annuity?
- A) An annuitant can be a corporation
 - B) The owner of an annuity must be a natural person
 - C) The owner of an annuity may not be a trust
 - D) A beneficiary has the right to receive a death benefit on remaining annuity values when the annuitant dies.
- 18) An important provision for a consumer to understand that relates to the penalty assessed by an insurance company for excessive early withdrawal of principal and interest is called
- A) The 10% Tax Penalty
 - B) The Surrender Charge
 - C) The Front-End Fee
 - D) The Withdrawal Penalty
- 19) According to the Pension Protection Act of 2006, all of the following expenses can be paid from the proceeds of an annuity without income taxation to the annuity contract owner, EXCEPT:
- A) Adult Day Care
 - B) Caregiver Training
 - C) Nursing Home Care
 - D) Weekly Groceries
- 20) All of the following individuals would likely qualify for a Tax-Sheltered Annuity plan (TSA), EXCEPT
- A) A teacher employed at a public high school.
 - B) A doctor working at a for profit hospital.
 - C) A minister at a church.
 - D) A nurse working at a not for profit hospital.

21) On the advice of his insurance producer, R trades his life insurance policy purchased from ABC insurance company with XYZ insurance company for an annuity and is told he is not subject to any income taxation although he does have gains in the life insurance policy. This is

- A) not allowed.
- B) malpractice on the part of the producer.
- C) allowed under IRC Section 1035.
- D) not allowed because it would not be considered the exchange of "like-kind" property.

22) Which of the following financial circumstances WOULD NOT warrant the purchase of a single payment deferred annuity?

- A) The Smith's daughter is attending college next year.
- B) A store's insurance company needs to pay an injured insured over a thirty year period.
- C) Jim is retiring in fifteen years and wants additional income to supplement his company pension plan.
- D) Jill is 53 years old and is worried about needing long term care services in the future.

Part 3- Regulatory Compliance

(3 Exam Questions)

23) The main reason for Disclosure requirements is to:

- A) Assure that consumers are purchasing suitable products.
- B) Prevent an insurance producer from trying to fool a consumer regarding what product is actually being presented for sale.
- C) Require proper annuity training for an insurance producer.
- D) Educate the consumer on various annuity products.

24) The purpose of Replacement rules includes all of the following concepts, EXCEPT:

- A) To guide the consumer to achieving a proper annuity purchase based on actual suitability.
- B) Providing a policyowner with information needed to make an informed decision representing the best interest of the consumer when exchanging one annuity for another.
- C) Reduce the chance for a producer to misrepresent the facts when a consumer is considering switching from an annuity currently owned to one that is newly purchased.
- D) Establish minimum standards to be followed when there is a proposed replacement of existing life insurance.

25) Which of the following IS NOT a duty of an insurance producer when Replacement of an existing life insurance contract is involved?

- A) To obtain a signed statement by the applicant, on the annuity application, as to whether or not the insurance will replace an existing annuity.
- B) The producer must provide a signed statement, on the annuity application, as to whether or not the insurance will replace an existing annuity.
- C) The producer must obtain a signed suitability form from the applicant prior to the issuance of an annuity.
- D) The producer must present a Notice Regarding Replacement of Life Insurance or annuity form to an applicant no later than taking an annuity application when replacement is involved.