

(Complete return for grading as described in grading options SHOWN ON PAGE 2)

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| 7)  | A | B | C | D | 34) | A | B | C | D |
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| 18) | A | B | C | D | 45) | A | B | C | D |
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| 20) | A | B | C | D | 47) | A | B | C | D |
| 21) | A | B | C | D | 48) | A | B | C | D |
| 22) | A | B | C | D | 49) | A | B | C | D |
| 23) | A | B | C | D | 50) | A | B | C | D |
| 24) | A | B | C | D | 51) | A | B | C | D |
| 25) | A | B | C | D | 52) | A | B | C | D |
| 26) | A | B | C | D | 53) | A | B | C | D |
| 27) | A | B | C | D | 54) | A | B | C | D |
|     |   |   |   |   | 55) | A | B | C | D |

**TEST A****“Suitability in Annuity Transactions – Revised 2023”**

**55 questions – minimum passing score is 70%**

**This exam must be graded by Dohrn Insurance training and there are three grading options:**

**1) Go to: <https://www.dohrnonline.com/secure/ceexam/>**

**And select the above title in the drop-down menu making certain you select TEST A, enter your answers, and submit for immediate scoring online (reporting is next business day).**

**2) Scan and email your completed answer sheet, with your signature, to [info@dohrnit.com](mailto:info@dohrnit.com) and request prompt grading (please allow one business day for grading and reporting).**

**3) Fax your completed answer sheet, with your signature, to 847-455-1153 (please allow up to three days for scoring and reporting).**

**IF YOU FAIL THIS EXAM, YOU CANNOT RETAKE IT. YOU MUST CONTACT DOHRN AT 847-455-1130 OR EMAIL REQUEST TO [INFO@DOHRNIT.COM](mailto:INFO@DOHRNIT.COM) FOR A SUBSTANTIALLY DIFFERENT SECOND 55 QUESTION EXAM WHICH IS CALLED TEST B MAKEUP FINAL CHANCE. STATE LAW REQUIRES A SELF-STUDY NONSUPERVISED EXAM MUST BE PASSED ON THE FIRST ATTEMPT. PLEASE TAKE YOUR TIME IN CAREFULLY ANSWERING ALL QUESTIONS BELOW TO ASSURE PASSING ON YOUR FIRST EXAM ATTEMPT.**

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 method of annuity solicitation to a consumer is not required to follow the suitability rules?

- A) Annuity sales through a producer.
- B) Annuity sales through direct mail.
- C) Annuity sales through a financial advisor.
- D) Annuity sales through a bank.

3) In Illinois, a consumer does have the option to purchase an individual annuity or a group annuity?

- A) True
- B) False

4) Under state law, the definition of an annuity replacement includes all of the following transactions except:

- A) The annuity is surrendered.
- B) The annuity is lapsed.
- C) The annuity was terminated.
- D) The annuity was sold to a third party.

5) The state requires producers to retain all supporting documentation collected from the consumer that is used in making an annuity recommendation for a minimum of how many years?

- A) 7 years
- B) 5 years
- C) 10 years
- D) 1 year

6) An insurance producer who plans to engage in the sale of annuities must first complete a one-time four-hour credit course related to annuity suitability.

- A) True
- B) False

7) 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.

8) Insurance companies must create supervision systems to make certain that their 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 for 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.

9) 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 annuities.
- D) Primary uses of an annuity

10) The term “cash compensation” includes the payment of office rent.

- A) True
- B) False

11) Both misrepresentation and engaging in deceptive practices can result in suspension, revocation, or denial of a license and/or a civil penalty of up to \$10,000 according to Part 3120, “Suitability in Annuity Transactions”

- A) True
- B) False

12) When an annuitant takes all of the money out (principal and interest) at once from his accumulated cash value, this is known as “annuitization.”

- A) True
- B) False

13) Under the terms of a pure life annuity, any undistributed cash value remaining at the death of the annuitant automatically passes to a beneficiary even if the annuitant did not add a refund annuity rider at the time of purchase

- A) True
- B) False

14) 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 either the accumulation or payout phase.

15) 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

16) 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

17) 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 annuities?

- A) Immediate
- B) Single Pay
- C) Deferred
- D) Flexible Premium

18) 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.

19) If an annuitant wants to bind regular and period payments to his life and at least one other life such that the benefit will stop upon the death of the first annuitant, he should select a

- A) Joint Life Annuity
- B) Joint and Survivor
- C) Refund Annuity
- D) Life Annuity

20) The owner of an annuity can also be a trust, a corporation or other business entity but never a natural or human life.

- A) True
- B) False

21) The nonqualified annuity is funded with after-tax contributions, but all income is earned on a tax deferred basis during the accumulation phase.

- A) True
- B) False

22) An important provision for a consumer to understand that relates to the penalty assessed by an insurance company for excessive early withdraw of principal and interest is called

- A) The 10% Tax Penalty
- B) The Surrender Charge
- C) The Front-End Fee
- D) The Withdrawal Penalty

23) 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 non-for-profit hospital

24) 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.

25) Federal income tax penalties can be assessed to an annuity owner when their annuity is withdrawn early prior to reaching the age of 59 ½?

- A) True
- B) False

26) Variable annuities have two distinct phases called?

- A) Immediate and deferred phase.
- B) Phases 1 and 2.
- C) Accumulation and payout phase.
- D) Fixed and variable phase.

27) What financial index is typically not an investment option available to owners of an equity-index annuity?

- A) S&P 500
- B) Consumer price index
- C) Dow Jones Industrial Average
- D) Nasdaq 100

28) The formula for calculating the value of an annuity is equal to.

- A) The value of all units X 10
- B) The value of fixed unit liquidated X the value of one unit.
- C) The value of one unit X total units owned.
- D) The value of total fixed units X the value of one unit.

29) Which annuitization option would provide the highest payout to a single recipient?

- A) The single life annuity option
- B) The refund annuity option
- C) The joint life annuity option
- D) The joint & survivor annuity option

30) Which of the following would not be a good reason for purchasing an annuity?

- A) Retirement income funding
- B) Long term care funding
- C) Education funding
- D) To get rich quick

31) An annuity can be used to fund a structured legal settlement to cover a situation like:

- A) A settlement payout for an auto accident
- B) A payout for a worker's comp claim
- C) An injury payout due to a fall at the local auto dealer
- D) All the above

32) Prior to a sales presentation a producer should inform the prospect or prospects about which of the following concepts?

- A) That they are a licensed insurance agent.
- B) Provide the names of all the companies the producer represents.
- C) Show the prospect your official identification.
- D) All of the above.

33) Insurance regulations require that when an agent provides an annuity recommendation they must:

- A) Act in the best interest of the consumer.
- B) Use consumer information known at the time of the recommendation.
- C) Not place the producer's financial interest ahead of their customer.
- D) All of the above.

34) A producer must possess a reasonable basis for believing that the annuity option being recommended is appropriate. This is accomplished by:

- A) Properly evaluating products the producer is not authorized to sell.
- B) Developing a complete financial profile of their client.
- C) Making sure that the client will receive the annuity benefit features they desire.
- D) Both B & C

35) The producer should consider this factor when serving their client:

- A) The characteristics of the insurer
- B) The product cost, benefit, and features.
- C) The client's financial profile.
- D) All of the above.



36) If a producer is involved in the replacement or exchange of an annuity, they should not engage in which of the following actions?

- A) Be overly concerned when the previous annuity has been in force for more than 5 years.
- B) Inform the consumer that there is a surrender charge.
- C) Determine whether the consumer will lose any existing benefits.
- D) Communicate to the consumer that there may be increased fees.

37) The conflict-of-interest rules require a producer to identify, avoid, manage, and disclose any material consumer conflicts of interest. An example of a conflict of interest would include which of the following?

- A) The geographic location where the producer resides.
- B) Whether the producer has an ownership interest in any product being sold.
- C) Which insurer or insurers the producer previously represented.
- D) What political party the producer supports.

38) The Statement of Purchaser form should be provided to and signed by an annuity client if they decide to purchase an annuity that is not based on the producer's recommendation.

- A) True
- B) False

39) The following situations would not obligate the producer under the "care obligation" rules: When no recommendation was made to the consumer.

- A) When the consumer provided all and accurate requested information.
- B) When the consumer provided all, and accurate information requested.
- C) When the consumer selects an annuity based upon the producer's recommendation.
- D) When the consumer only considers the products being recommended.

40) An insurer must create procedures to detect any producer recommendation not in compliance with the Annuity Suitability Code. Which is not an example of such a procedure?

- A) Customer surveys or interviews
- B) Confirmation of consumer profile information
- C) Producer interviews
- D) Investigate all annuity applications prior to issuance.

41) An insurer and/or producer shall not discourage a consumer from:

- A) Cooperating with an investigation into a consumer complaint.
- B) Filing a complaint with the Department of Insurance.
- C) Truthfully responding to an insurer's request for consumer profile data.
- D) All of the above

42) The Safe Harbor rule eliminates the legal liability to insurers in specific situations and will only apply when the insurer:

- A) Properly monitors the conduct of their financial professionals.
- B) Fails to properly supervise their financial professionals.
- C) Does not provide data and reporting to assist in the compliance process.
- D) Relies on the Department of Insurance to identify compliance problems.

43) When a producer is satisfying the four requirements for annuity recommendation, they must exercise which of the following?

- A) Reasonable diligence.
- B) Care
- C) Skill
- D) All of the above.

44) Which of the following is the most comprehensive tool in properly assessing the financial needs and goals of the consumer?

- A) Age
- B) Net Worth
- C) A complete Financial Profile
- D) Liquidity

45) Which element below is not a factor when replacing an existing annuity?

- A) The consumer will incur a surrender charge.
- B) The consumer replaced an annuity seven years earlier.
- C) The consumer must benefit from the transaction.
- D) Whether or not the consumer will lose existing benefits.

46) What is the main disadvantage of a consumer deciding to purchase an annuity not based on a recommendation?

- A) The consumer legally cannot purchase an annuity product.
- B) The consumer must purchase an annuity directly online without the advice of a financial professional.
- C) ) The annuity fees will be higher if they base their purchase on a recommendation by a producer.
- D) The consumer may lose protection under the Illinois Insurance Code.

47) An insurer's supervisory system must

- A) be approved by the Illinois Department of Insurance.
- B) filed with the Securities and Exchange Commission.
- C) have a design reasonable to achieve compliance with the Annuity Suitability Code.
- D) be approved by the insurer's Board of Directors.

48) The requirement that an insurer must create procedures to detect recommendations by insurance producers that are not in compliance with the ASC DO NOT include:

- A) confirmation of consumer profile information
- B) written attestation of the consumer's mental competence.
- C) confirmation letters.
- D) systematic customer surveys.

49) Insurers must exercise a mechanism by which they can identify and address suspicious consumer refusals to provide consumer profile information. An example of a suspicious consumer refusal might be:

- A) A consumer signs an Appendix A disclosure form.
- B) A consumer signs an Appendix B disclosure form.
- C) A consumer signs an Appendix C disclosure form.
- D) The consumer refusal rate is significantly greater for one producer compared to the average of all producers writing annuity business for the insurer.

50) The term "financial professional" includes which of the following individuals?

- A) A state licensed insurance producer.
- B) A broker-dealer registered under federal or State securities laws or a registered representative of a broker-dealer.
- C) An investment adviser registered under federal or State securities laws.
- D) B and C Only.

51) A producer is required to consider any products outside the producer's authority and license, including possible outside strategies or alternative products available in the market at the time of recommendation.

- A) True
- B) False

52) Producers are required to disclose to consumers the annuity products they are authorized to sell.

- A) True
- B) False

53) The producer has a duty to identify, avoid, manage, and disclose any consumer material conflicts of interest, except conflicts of interest relating to an ownership interest.

- A) True
- B) False

54) The best interest obligation even extends to activities like providing or delivering marketing or educational materials.

- A) True
- B) False

55) Insurers must provide annuity product training explaining all material product features to their insurance producers.

- A) True
- B) False