

Chapter 1 -- Senior Suitability

Multiple Choice

Identify the choice that best completes the statement or answers the question.

When you have answered all of the questions, click the "Check Your Work" button to review the correct responses.

When you finish, use the "Back" button on your browser to return to the study text.

- _____ 1. Which of the following are correct regarding the regulation of variable annuities?
- variable annuities are subject to Florida's Insurance Code
 - variable annuities are subject to by the SEC and FINRA
 - both a and b
 - neither a nor b
- _____ 2. Florida's Senior Suitability law defines a senior consumer as one:
- age 60 and older
 - age 65 and older
 - age 70 and older
 - age 75 and older
- _____ 3. Under Florida's Senior Suitability law, a recommendation is defined as:
- any advice the agent provides on annuities to senior consumers
 - an annuity transaction that follows the advice of an agent
 - any sale, exchange, replacement, or transfer of an annuity
 - none of the above
- _____ 4. Florida's Senior Suitability law requires agents to make recommendations based on:
- what the agent believes is in the best interests of the client
 - an objective standard
 - reasonable efforts to ascertain the client's investment objectives, financial situation and needs
 - the prudent man rule
- _____ 5. Before making a recommendation under Florida's Senior Suitability law, an agent must ascertain all of the following EXCEPT:
- the age of the client's dependents
 - the client's tax bracket
 - the client's past investment experience
 - the client's net worth
- _____ 6. If a client refuses to give the agent the information required by Florida's Senior Suitability law, the agent:
- may not make any recommendations to that client
 - must have the client sign a form noting that fact before making any recommendation to that client
 - will totally absolved from any duty to make suitable recommendations to that client
 - must notify the Department of Financial Services prior to making any recommendations to that client
- _____ 7. If a senior customer holds other annuities, a Florida life agent must ascertain which of the following?

- a. the type of contracts
- b. applicable surrender charges
- c. the asset allocation within variable contracts
- d. all of the above

8. Florida law requires agents who recommend an annuity transaction to senior consumers to complete a written questionnaire. The agent must:

- a. file the questionnaire with the Department of Financial Services
- b. submit that questionnaire to his or her supervisor for approval
- c. submit that questionnaire to the annuity company within 10 days of the application
- d. all of the above

9. Florida law requires that completed copies of the suitability questionnaire be retained by:

- a. the agent
- b. the issuing company
- c. third party marketers
- d. all of the above

10. Which of the following items do not need be retained as part of the Senior Suitability law?

- a. applications
- b. customer questionnaires
- c. Buyers' Guides
- d. contract illustrations

11. If the Office of Insurance Regulation finds that an unsuitable recommendation has harmed a senior consumer, the Office has the power to:

- a. revoke the agent's license
- b. cancel the contract and order a refund of the investment
- c. pursue criminal prosecution
- d. all of the above

12. As a result of the FINRA exception to Florida's Annuity Suitability law, this state law effectively applies to the sale or exchange of:

- a. all types of annuities to all annuity purchasers in the state
- b. all types of annuities to senior consumers in the state
- c. fixed and indexed annuities to all annuity purchasers in the state
- d. fixed and indexed annuities to senior consumers in the state

13. FINRA Annuity Suitability Rule 2821 applies to the recommendation of a sale or exchange of:

- a. variable annuities for senior consumers
- b. variable annuities for all consumers
- c. all annuities for senior consumers
- d. all annuities for all consumers

14. Which of the following are responsible to assure an agent's compliance with Florida's Senior Suitability law?

- a. the agent
- b. the agency the agent works for
- c. the company the agent submits applications to
- d. all of the above

15. Under state law, documents related to annuity recommendations for senior consumers must be retained for:

- a. 1 year
- b. 2 years
- c. 3 years
- d. 5 years

Chapter 1 -- Senior Suitability Answer Section

MULTIPLE CHOICE -- page references to Safeguarding1web.pdf

1. ANS: C page 1
Variable annuities are subject to dual jurisdiction -- both state and federal laws (and rules) apply.
2. ANS: B page 1
Florida's Senior Suitability law applies to consumers age 65 and older -- and in the case of joint purchasers, if either party is 65 or older.
3. ANS: B page 1
Florida's Senior Suitability law, a recommendation is defined as an annuity transaction based on an agent's advice.
4. ANS: B page 1
Florida's law requires agent to have a "objectively reasonable basis for believing the recommendation is suitable" -- this amends previous wording that allowed for a more subjective standard.
5. ANS: C page 1
While past investment experience may be helpful in making suitable recommendations to the client, that information is not required under Florida law.
6. ANS: B page 1
If a client refuses to give the agent the required information, the agent must obtain the client's signature on a form stating that fact. The agent may make recommendations -- and any recommendations must be suitable in light of the information the agent knows at the time of the recommendation.
7. ANS: D page 1
Agents must determine the type of contracts the client holds, the issue dates, the maturity or annuitization dates, surrender charges, any riders or endorsements and liquidity within the contract. In the case of variable annuities, the agent must also determine the asset allocation within the contract.
8. ANS: C page 1
Florida law requires the agent to submit the suitability questionnaire to the annuity company within 10 days of submitting the application. The agent must also assure that the purchaser be given a copy of that questionnaire no later than delivery of the contract.
9. ANS: D page 2
The updated law clarifies that the agent and the company must retain copies of relevant paperwork. When third party marketers are involved in the transaction, they must also retain a copy of the required paperwork. The company may retain the paperwork on behalf of the agent, but companies are not required to do so.
10. ANS: C page 2

The requires retention of “records of the information collected from the senior consumer and other information used in making the recommendation”. Standardized disclosure forms such Buyer’s Guides and Contract Summaries do not have to be retained.

11. ANS: B page 2

The Office of Insurance Regulation regulates insurers in Florida. The law gives the Office the power to rescind unsuitable contracts. The Department of Financial Services regulates agents -- and the Department can suspend or revoke agent licenses. The Department can also recommend to the State’s Attornies to pursue criminal prosecution for willful violation of the Insurance Code.

12. ANS: D page 2

Florida’s Annuity Suitability law applies only to annuity transactions recommended to senior consumers. The FINRA exception exempts agents who are also registered representatives of broker-dealers from this state law when recommending variable annuity transactions. From a practical perspective, this state law applies to sales of fixed annuities (incl. indexed contracts) to senior consumers.

13. ANS: B page 2

FINRA rules apply only to the sale of registered securities. Fixed annuities are insurance products and therefore exempt from FINRA rules. Rule 2821 applies to consumers of all ages.

14. ANS: D page 2

State law puts the responsibility for supervision and compliance on the agent, the agent’s agency, and the companies who accept applications from the agent. Companies can delegate that supervisory role to third-party marketers, provided the company verifies their compliance activities.

15. ANS: D page 2

Such documents must be retained for 5 years.