

REVENUE: No revenue impact

FISCAL: No fiscal impact

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Action: Do Pass as Amended and Be Printed Engrossed

Vote: 3 - 1 - 1

Yeas: Prozanski, Walker, Burdick

Nays: Beyer

Exc.: Kruse

Prepared By: Matt Kalmanson, Counsel

Meeting Dates: 2/5, 3/27

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**WHAT THE MEASURE DOES:** Establishes that variable annuities are “securities” under the Oregon Securities Law.

**ISSUES DISCUSSED:**

- Nature and regulation of variable annuities in Oregon and by the federal government
- Expertise required to market and sell variable annuities
- Nature and regulation of securities in Oregon
- Nature and regulation of insurance in Oregon
- Requirements of the Oregon Securities Act
- Requirements of the Oregon Insurance Code
- Costs of parallel regulatory regimes
- Impact on senior citizens

**EFFECT OF COMMITTEE AMENDMENT:** Clarifies that bill applies only to variable annuity contracts, not other variable insurance contracts. Amends provision in insurance code to clarify that variable annuities are subject to the securities laws.

**BACKGROUND:** An annuity is a contract between a person and an insurance company, in which the person agrees to make a lump-sum payment or series of payments to the insurer, and the insurer agrees to make periodic payments to the person beginning immediately or at some future date. Annuities can be “fixed” or “variable.” Very generally, in a fixed annuity, the insurance company guarantees the person a minimum rate of interest and future payment. In a variable annuity, the person can choose to invest the purchase payments in a range of investment options, such as mutual funds. Thus, the rate of return on a variable annuity depends on the performance of the investment options. The federal Securities and Exchange Commission considers variable annuities – but not fixed annuities – to be “securities,” and there are federal cases that define in more detail the difference between the two. Current ORS 59.015(19)(b) provides that neither fixed nor variable annuities are “securities” as defined in the Oregon Securities Law. SB 257 states that “variable annuities” are securities, but annuities that pay a fix sum of money are not.