

**REVENUE: No revenue impact**

**FISCAL: No fiscal impact**

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**Action:** Do Pass as Amended and Be Printed Engrossed  
**Signers on the Report:** Representatives Whisnant and Cameron  
**Prepared By:** Matt Kalmanson, Counsel  
**Meeting Dates:** 5/10, 5/14, 5/17

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**WHAT THE MEASURE DOES:** Establishes that variable annuities are “securities” under the Oregon Securities Law. Prohibits civil actions under the Securities Law based on offer, solicitation or purchase of variable annuity.

**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 MINORITY REPORT:** Prohibits civil actions under Securities Law based on offer, solicitation or purchase of variable annuity.

**BACKGROUND:** Very generally, 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.” In a fixed annuity, the insurance company guarantees the purchaser a minimum rate of interest and future payment. In a variable annuity, the purchaser 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. Variable annuities also contain a life insurance component, and have been described as an investment in an insurance “wrapper.”

The federal Securities and Exchange Commission regulates variable annuities as securities, but not fixed annuities. However, ORS 59.015(19)(b) provides that neither fixed nor variable annuities are “securities” for purposes of the Oregon Securities Law and its regulations. Thus, variable annuities are regulated purely as insurance vehicles by Oregon insurance regulators, and are not subject to the regulations that apply to the sale of securities. SB 257 A would classify “variable annuities” – but not fixed annuities or other variable products – as securities. The minority report would authorize the Department of Consumer and Business Services to regulate variable annuities as securities, but would prohibit persons from bringing civil actions under the securities laws.