

SB 96 STAFF MEASURE SUMMARY

Senate Committee On Judiciary

Prepared By: Channa Newell, Counsel

Meeting Dates: 3/6

WHAT THE MEASURE DOES:

Requires proof of errors and omissions insurance policy with application for license or renewal of license as broker-dealer or state investment advisor. Requires insurance in amount of at least \$1 million. Provides exemptions. Specifies operative date of July 31, 2018.

ISSUES DISCUSSED:

EFFECT OF AMENDMENT:

No amendment.

BACKGROUND:

The Division of Financial Regulation of the Oregon Department of Consumer and Business Services (DCBS) is the state's licensing and regulatory agency for finance and insurance businesses and professionals. As part of this mission, all persons who advise clients on securities and securities trading must be licensed by DCBS as investment advisors. Investment advisors are required to carry a \$10,000 surety bond to protect clients against loss as a result of regulatory violations. "Errors and Omissions" insurance is professional liability insurance, intended to provide coverage for negligent acts of the insured. Currently, Oregon does not require investment advisors to carry errors and omissions insurance.

Senate Bill 96 A requires broker-dealers and state investment advisors to carry an errors and omissions insurance policy in an amount of at least \$1 million. The measure exempts licensed broker-dealers covered by Section 15 of the Securities Exchange Act and licensed state investors who have a principal place of business outside of Oregon.