

**SB 96 A STAFF MEASURE SUMMARY**

**Carrier:** Sen. Dembrow

**Senate Committee On Judiciary**

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**Action Date:** 03/06/17  
**Action:** Do pass the A-Eng bill.  
**Vote:** 3-2-0-0  
**Yeas:** 3 - Dembrow, Manning Jr, Prozanski  
**Nays:** 2 - Linthicum, Thatcher  
**Fiscal:** No fiscal impact  
**Revenue:** No revenue impact  
**Prepared By:** Channa Newell, Counsel

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**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:**

- Current law requires \$10,000 surety bond for all investment advisors and dealer-brokers
- Surety bond covers acts of fraud, but unlikely to cover negligent acts
- Cost of error and omissions insurance close to \$2,000 per year
- All fifty states require surety bond, often in amount of \$35,000
- Oregon would be first state to require errors and omissions insurance
- Interim work group proposed insurance requirement rather than bond increase
- Current best practices are for investment advisors and broker dealers to carry errors and omissions policy
- Average assets under management by companies in Oregon is \$20,000,000

**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 already registered with the Securities and Exchange Commission and licensed state investors who have a principal place of business outside of Oregon.