

HB 846 -- SECURITIES REGULATION

SPONSOR: Page

COMMITTEE ACTION: No executive action taken by the Committee on Insurance Policy.

This bill changes the definition of "security" as it is used in the laws regulating securities so that the sale of variable annuities will be regulated by the Secretary of State. Currently, the sale is regulated by the Department of Insurance.

FISCAL NOTE: Estimated Income on General Revenue Fund of \$24,500 in FY 2006, FY 2007, and FY 2008. No impact on Other State Funds in FY 2006, FY 2007, and FY 2008.

PROPOSERS: Supporters say the bill clarifies that the Department of Insurance will regulate variable annuity products. Too often agents selling variable annuity products may not be capable of determining the client's specific investment needs and may sell a product that is not appropriate for their client. A 71-year-old person was sold a variable annuity that was attached to technology stocks. The \$1 million investment became \$500,000 in no time at all. It was definitely not appropriate to sell a 71-year-old person a variable annuity. The bill will help stop similar situations from happening.

Testifying for the bill was Representative Page.

OPPOSERS: Those who oppose the bill say that the Department of Insurance is already in charge of regulating these products. Variable annuities are one of the most heavily regulated financial products in today's market place. Missouri's insurance code strictly governs inappropriate replacements and misrepresentations in the sale of insurance and annuity contracts. The bill will result in redundant and possibly conflicting patterns of regulation that will disrupt the market and cause more expensive insurance and annuities for consumers.

Testifying against the bill were MetLife; General American; Life Insurance Association of Missouri; Prudential Insurance; American Council of Life Insurers; and Missouri Insurance Coalition.

OTHERS: Others testifying on the bill say the Department of Insurance currently has the authority to regulate these products; however, no regulations have been drafted. The department plans to work with the parties involved to draft regulations in the next few months.

Others testifying on the bill was Department of Insurance.

Marc Webb, Legislative Analyst