

# Legislative Analysis



## VARIABLE ANNUITY CONTRACTS

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### House Bill 4616

Sponsor: Rep. Andy Neumann

Committee: Senior Health, Security, and Retirement

Complete to 6-15-10

## A SUMMARY OF HOUSE BILL 4616 AS INTRODUCED 3-18-10

The bill would amend Section 102c of the Uniform Securities Act (MCL 451.2012c) to include the term "variable annuity contracts" in the definition of "security" as the term security is defined within the act. (The term "security" in this act refers to such instruments as stocks and bonds.)

The bill would define variable annuity contracts to mean "an insurance or endowment policy or annuity contract under which an insurance company promises to pay a **variable sum of money, based on investment experience**, either in a lump sum or periodically for life or some other specified period."

Currently, the term "security" as defined in the act does not include these products. Under the bill, the term "security" would still not apply to "an insurance or endowment policy or annuity contract under which an insurance company promises to pay a **fixed sum of money** either in a lump sum or periodically for life or other specified period." The current exclusion for policies or contracts paying "a variable sum of money" would be deleted.

## FISCAL IMPACT:

The bill would have no fiscal impact on the state or local units of government. According to the Office of Financial and Insurance Regulation, a separate license under the Uniform Securities Act would not be required under the bill for individuals selling variable annuities. Variable annuities have been subject to regulation as securities under federal law for several decades. Additionally, individuals selling variable annuities must be registered with the Financial Industry Regulatory Authority (FINRA), pass applicable FINRA examinations, comply with applicable FINRA rules regarding variable annuities, and pass the Michigan variable annuities examinations. Individuals holding a variable annuity line of authority need not hold a basic life insurance qualification.<sup>1</sup>

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■ This analysis was prepared by nonpartisan House staff for use by House members in their deliberations, and does not constitute an official statement of legislative intent.

<sup>1</sup> See *In the Matter of Insurance Producer Variable Life/Variable Annuities Line of Authority*, Michigan Department of Energy, Labor, and Economic Growth, Office of Financial and Insurance Regulation, Bulletin 2009-15-OFIR, November 17, 2009, [[http://www.michigan.gov/documents/dleg/2009-15-OFIR\\_301023\\_7.pdf](http://www.michigan.gov/documents/dleg/2009-15-OFIR_301023_7.pdf)].