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Oregon investors to receive restitution from Waddell & Reed

SALEM - An estimated 400 Oregon investors may benefit from a multi-state settlement with national brokerage firm Waddell & Reed and its insurance subsidiary. Coordinated investigations by the National Association of Securities Dealers (NASD) and state securities and insurance regulators found that the companies violated NASD rules and state laws governing variable annuity exchanges.

A variable annuity is a contract under which an insurer agrees to make periodic payments to a customer.

“We are pleased to join the NASD and other state regulators in this settlement,” said Cory Streisinger, director of the Department of Consumer & Business Services, which regulates securities and insurance in Oregon. “Waddell & Reed clearly wasn’t acting in the best interests of its customers, who deserve full reimbursement.”

Waddell & Reed, headquartered in Overland Park, Kansas, has been licensed in Oregon as a securities broker-dealer since 1981. It’s subsidiary, W & R Insurance Agency, Inc., has been licensed as an insurance agency in Oregon since 1991.

Between January 2001 and August 2002, Waddell & Reed exchanged thousands of variable annuity contracts issued by United Investors Life Insurance Company for a purportedly similar product provided by another company. The NASD, the securities industry’s self-regulatory organization, filed a complaint against Waddell & Reed, alleging that the exchanges were unlawful and the replacement contracts, provided by Nationwide Insurance Company, were not suitable for many of the investors. State security and insurance regulators also conducted an investigation.

Under terms of the national settlement with NASD and state regulatory authorities, Waddell & Reed will repay more than 5,000 customers nationwide up to \$11 million for surrender charges that resulted from annuity exchanges. Approximately 400 Oregon customers are among those to be reimbursed.

Although it did not admit or deny the allegations, Waddell & Reed also agreed to pay a fine of \$5 million to NASD and \$2 million to state regulators. Oregon’s share of the fine was \$78, 140.

Streisinger said DCBS will continue to monitor sales practices for variable annuities to ensure Oregonians are treated fairly.

“Consumers need to carefully consider potential surrender charges and other costs before buying or exchanging a variable annuity,” she said. “And brokers should not recommend exchanges unless they have determined it’s in the best interests of a customer.”

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