NSSTA National Structured Settlements Trade Association

Structured Settlements:
Financial Protection During Economic Crisis

Settling a physical injury or wrongful death case requires sound financial strategy, especially during times of economic uncertainty. Structured settlements remain an excellent way to ensure tax-free guaranteed income tailored to a claimant's specific needs. Structured settlement payments are:

- ✓ **Regulated** by Insurance Commissioners in all 50 states
- ✓ **Guaranteed** against reductions due to interest rate or economic changes
- ✓ **Funded** by the most highly rated life insurance companies
- ✓ **Backed** by exceptionally safe, "investment grade" assets
- ✓ **Exempt** from federal and state taxes on income, interest, dividends and capital gains. Also exempt from the Alternative Minimum Tax.
- ✓ **Not counted** against Medicaid and SSI income limits if paid irrevocably into a special needs trust

No other option can match the security and financial advantages of a structured settlement

I. Your First Protection: Reserves, Surplus & the Law

Structured settlements funded by life insurance annuity contracts are one of the safest possible means of providing for future income. State insurance laws require the establishment of a "reserve" for every insurance contract, including every annuity contract, issued by a life insurer, and they strictly regulate a life insurer's investments. Typically, more than two-thirds of the investments corresponding to a life insurer's required reserves are held in "investment grade" bonds, with less than five percent in the stock market. Changes in share prices and adjustments in credit ratings do not change an insurer's ability to make its scheduled structured settlement annuity payments.

Furthermore, all companies issuing structured settlement annuities must maintain a "surplus" of capital above and beyond the reserve required to meet their obligations. A life insurance company holding assets of two-and-a-half times its liabilities is considered healthy. The American Council of Life Insurers has reported that at the end of 2008, its members' assets stood at approximately three times liabilities.

II. Your Second Protection: State Insurance Regulation

> "[T]he insurance industry is in much better condition than most of the rest of the financial services sector because of strong state solvency regulations. . . . State insurance regulators use time-tested tools to protect consumers and help maintain a solvent and competitive marketplace."
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> *Roger Sevigny, New Hampshire Insurance Commissioner and President of the National Association of Insurance Commissioners*
> *January 29, 2009*

Insurance regulation is a state responsibility, and any insurance company that transacts business within a state must obtain and maintain approvals from the state's Insurance Department. Every insurance company is required, for example, to file detailed financial reports that allow regulators to evaluate its financial condition and compliance with insurance regulations.

During the past 20 years, all states have approved regulations that strengthen their consumer protections for annuities and other life insurance products. These rules provide for strict accounting rules, mandatory annual audits, and minimum capital and surplus requirements. Insurance regulators also have the right to conduct independent reviews and spontaneous audits to ensure compliance.

In the extremely rare event that a life insurance company becomes financially troubled, state insurance commissioners have authority to take immediate action. If the company's existing asset base and business are considered solid, the commissioner in its home state may pursue a rehabilitation plan. With court supervision when necessary, the insurance commissioner and his deputies will attempt to build the insurer's capital and strengthen its operations, so that it can continue to meet its obligations as a going concern.

If the insurance commissioner concludes that a troubled company cannot be rehabilitated, the commissioner conducts an orderly liquidation of the company, in which policy claims (including claims under structured settlement annuities) receive priority. The troubled company's policies and annuity contracts typically are assumed and reinsured by another company in sound financial condition.

Find out more about structured settlements at:
www.StructuredSettlement.info

This document provides general information about structured settlements. It should not be interpreted as an offer to sell any insurance product or as a source of legal advice. Claimants should consult their own legal and financial advisers concerning all aspects of a proposed settlement, including, Medicaid eligibility implications and other features that vary from state to state.