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 your specific needs. Your 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
- **Further protected** by guaranty associations established by statute in every state
  Exempt from federal and state taxes on income, interest, dividends *and* capital gains. Also exempt from the AMT.
- **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 Protections: 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 obligation undertaken by a life insurer and 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 price or 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 additional capital above and beyond the reserve required to meet their obligations. A surplus of two-and-a-half times the required reserve is considered healthy. According to the American Council of Life Insurers, in a recent survey, their members' average surplus actually stood at more than four times the required reserve.

II. Your Second Protection: State Insurance Oversight

> "The primary goal of insurance regulation is to protect policyholders by ensuring that providers of insurance are solvent and able to pay claims on policies they issue."
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> *New York State Insurance Commissioner Eric Dinallo*
> *Congressional Testimony, October 7, 2008*

Insurance regulation is a state responsibility, and any insurance company that transacts business within a state must obtain and maintain approval from the state's Insurance Department. This approval is contingent upon, among other things, detailed financial reporting that allows regulators to evaluate solvency and compliance with its 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 the use of more conservative accounting rules, mandatory annual audits, and minimum capital/surplus requirements. Insurance regulators also have the right to conduct independent reviews and spontaneous audits to ensure compliance.

In the extremely unlikely event that an insurance company becomes financially troubled, state regulators have authority to take immediate action. If the company's existing asset base and business are considered solid, the regulator may choose a restructuring plan. With court oversight, regulators or their appointees will attempt to build capital and clean up the operations, with the ultimate goal of returning the insurer to good standing.

III. Your Third Protection: State Guaranty Associations

> "In the event [an insurance company] must be liquidated or becomes insolvent, the states maintain a system of financial guaranty funds that cover consumers' personal losses."
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> *National Association of Insurance Commissioners (NAIC)*

State insurance guaranty associations provide an additional level of protection for future structured settlement recipients. In that respect, they serve a similar purpose as the Federal Deposit Insurance Corporation (FDIC). If an insurance company becomes financially impaired, state guaranty associations can provide continuing payments, subject to certain limits, or work with regulators to transfer annuity obligations to a more financially sound insurer.

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 guaranty association coverage, Medicaid eligibility and other features that vary from state to state.