



# STRUCTURED SETTLEMENT ANNUITIES

**Safe, Secure and Highly Regulated**

Enjoying strong bi-partisan congressional support and encouraged by the federal tax code since being codified in 1983, structured settlement annuities are widely recognized as among the most financially safe options available for recipients of physical injury and workers' compensation settlement money. Well into the hundreds of thousands of individuals and their families have enjoyed the enormous protection of these secure, tax free periodic payments. By opting for a structured settlement annuity, these individuals and their families chose the protective features of a structured settlement over the uncertainty, taxes, fees and financial volatility found in most other options.

## YOUR STRUCTURED SETTLEMENT ANNUITY

- Heavily regulated by Insurance Commissioners in all 50 states.
- Not subject to fluctuation due to interest rate or market changes; thus, ensuring financial certainty and financial stability.
- Funded by an annuity issued by a highly rated life insurance company (These highly rated life insurance companies must invest premiums in exceptionally safe "investment grade" assets such as U.S. treasuries and corporate grade bonds).
- Tax-free interest gain.

## FREQUENTLY ASKED QUESTIONS

### Q: What protections do I have with a structured settlement?

**A:** State laws strictly regulate the type and quality of investments that a life insurance company is allowed to make. Typically, more than half the investments held by a life insurance company are in "investment grade" bonds with less than five percent in the stock market. Changes in the stock and bond markets have little effect on a life insurer's ability to make structured settlement annuity payments.

### Q: What is a "reserve" and why is it important to the security of my future payments?

**A:** When a life insurance company issues a structured settlement annuity, state laws in all 50 states require that it set aside a liability, or reserve, on its financial statement to provide for that contract's future commitments. The reserve must be matched by corresponding assets, subject to strict investment regulation as described above.

*"In addition to tax-free income, one of the great benefits of a structured settlement is that you can choose to go back to work after your accident and still receive all of your payments in full."*

**The Hon. Tony Coelho**  
Disability Rights Advocate

## FINANCIAL SECURITY FOR YOUR FUTURE. GUARANTEED.

Insurance regulation is a state responsibility and any life insurance company that transacts business within a state must obtain and maintain approvals from the state's required Insurance Department. Every life insurance company is required, for example, to comply with stringent capital requirements and limitations on permitted investments.

Every life insurance company is required to file detailed financial statements, verified by its actuaries, that allow regulators to evaluate its financial condition and its compliance with insurance regulations. Every life insurance company also is subject to periodic Insurance Department examinations covering all aspects of its operations.

Structured settlement annuities have always been highly secure. All states have approved rules that minimize the risk that any issuer of structured settlement annuities will become insolvent and maximize the safeguards that are available to structured settlement annuitants in the unlikely event of an insolvency.

The rules include:

- Tightened accounting rules, including imposition of risk-based capital testing;
- Mandatory annual audits;
- Uniform guidelines requiring that investments meet standards for security;
- Minimum capital and surplus requirements; and
- Independent reviews and spontaneous audits to ensure compliance.



## ANNUITIES & FINANCIAL SECURITY

An insurance company's risk-based capital ratio measures assets, liabilities and the degree of risk associated with its operations and investments. The ratio is obtained by dividing a company's capital by the minimum amount of capital that authorities feel is necessary to support its insurance operations.

In the extremely rare event that a life insurance company becomes financially troubled, state insurance commissioners have authority to take immediate action. With court supervision, the insurance commissioner will attempt to build the company's capital so that it can continue to meet its obligations.

*"Structured settlements protect the needy from the greedy. They are the ultimate safeguards to guarantee the long term financial health of people harmed in accidents."*

**The Late Joseph Jamail**  
"Trial Lawyer of the Century"

*"Someone considering a structured settlement should appreciate the important legal safeguards for those future payments. State regulators nationwide have a strong record of enforcing the many consumer protections that help guarantee a structured annuity's financial security far into the future."*

**Kevin McCarthy**  
Past President, National Association of Insurance Commissioners