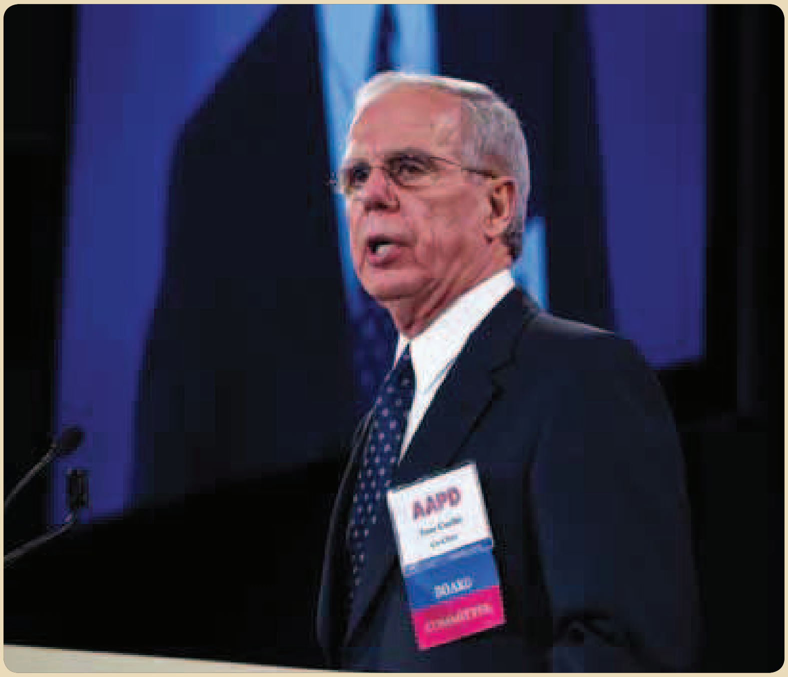
NFP™ Structured Settlements

Structured Settlement Annuities: Safe, secure and highly regulated

Encouraged by the federal tax code since 1983, structured settlements are widely recognized as among the most financially safe options available for physical injury settlements. Since 1983, more than 500,000 injury victims have received the protection of these secure, tax-free income payments.

Your structured annuity:

- **Regulated by Insurance Commissioners in all 50 states**
- **Not subject to reductions due to interest rate or market changes**
- **Funded by a highly rated life insurance company**
- **Backed by exceptionally safe "investment grade" assets**



"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 your payments in full."

– **The Hon. Tony Coehlo**
Disability Rights Advocate

Q&A

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

A: Issued by life insurance companies, structured settlement annuities are one of the safest possible ways to protect future income. 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.

"Consumers should be aware that **many significant protections** cover insurance products sold today. A combination of **updated consumer protection laws** and strict oversight by state Insurance Commissioners help maintain a solvent, **competitive marketplace for products such as structured settlement annuities**"

– **The Honorable Susan Voss**
President, National Association of Insurance Commissioners*

Insurance regulation is a state responsibility, and any life insurance company that transacts business within a state must obtain and maintain approvals from that state's 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. During the last twenty years, their security has improved in many important ways. 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.

These 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.

Structured settlements are funded by insurance company annuities. A higher risk-based capital ratio indicates greater financial security. As this chart shows, the financial security and reserves that back annuities today are at their highest level in years.

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.

If the troubled company cannot be rehabilitated, the commissioner conducts an orderly liquidation, in which policy claims, **including claims under structured settlement annuities,** receive priority.

"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.**"**

– **Joseph Jamail,** "Trial Lawyer of the Century"

*The NAIC is an association of state government officials who regulate the conduct of insurance companies.

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