Considerations to Make in a Structured Settlement

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In many settlement cases, especially in those where a large sum of money is involved, the defendant, financial planner or attorney of the plaintiff may suggest the settlement of payments in the form of instalments. When a sum due is paid over a period of time at regular intervals it is known as â€˜structured settlementâ€™.

Any individual that is entering into a structured settlement should be aware of the possible risks and take into consideration the following aspects â€“

1. High Commissions and Cuts â€“ Annuities can get highly profitable for insurance companies and they tend to charge extremely high commission rates. You must make sure that the commission that they charge with respect to setting up the structured settlement is an appropriate percentage of the principal sum.

2. Over-Valuation â€“ Many a times, defence lawyers tend to over valuate the value of a structured settlement. Consequently, in the entire deal, the plaintiff ends up accepting a significantly lower dollar value than what has been agreed upon. Also, some defendants nominally pay the entire amount of settlement, with the knowledge that they would be able to recover a significant rebate from the annuity companies that they employ. Thus, it is important for plaintiffs to compare the fees and commissions that are general charged in similar settlement cases, so as to ensure that they are getting the full value of what they deserve.

3. Conflict of Interest â€“ There have been a number of situations where it has been found that the personal injury lawyer of the plaintiff is also involved in the business of insurance. In such cases there is a major conflict of interest in situations where he or she sets up a structured settlement on behalf of his or her client without actually mentioning that the annuities purchases are from his own business.

In other such situations, where the attorney refers his or her client to a financial planner who is in fact giving the attorney a referral fee for each case he receives. If the financial interests of your lawyer are in conflict with your interests, entering into a structured settlement can be risky business.

4. The use of Multiple Insurance Companies â€“ For larger settlements defendants tend to buy annuities for this settlement from different companies and agencies. It is recommended especially in case of larger sums involved where you remain protected in case of the companies that issued the annuities go bankrupt. Even if one of the companies defaults in part or in full on your settlement, the other companies will make sure that you receive a full payment.

5. Health of the Plaintiff â€“ A number of unfortunate cases consist of people who are expected to receive a settlement but are not in the position to because of their shortened life expectancy as a result of the accident or injuries incurred. It is extremely important to take into consideration the health and the life expectancy of the plaintiff before agreeing to get into a structured settlement. It is also important to consider whether or not it makes financial sense to get into a structured settlement where the payments cease upon death of the plaintiff.

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