In-House and Approved-List Annuity Carriers Injure Claimant

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The common practice of defense-imposed "approved lists" of annuity providers injures the claimant once again by restricting the claimant from using the competitive forces of a free marketplace to maximize their structured settlement payments. Oftentimes the most extreme injury occurs when a captive affiliate of the defense insurer is used to write the structured settlement annuity.

These "in-house" programs generally are not competitive because there is no need to be competitive. Liability insurers use these in-house programs to financially gouge your clients and set you up for a malpractice complaint should the client ever want to know how you arrived at your valuation of the structured settlement offer when the free marketplace valuation was much lower than the value you placed on the annuity portion of the settlement.

A One-Two Punch in the Stomach

A recent example involved a young girl who was savagely attacked by multiple pit bulls while under the care of a paid caregiver. One of the liability insurers had a $1,000,000 policy which was reluctantly offered at mediation with the condition that $700,000 would be paid in cash and $300,000 would be structured with the in-house annuity carrier. The plaintiff attorney agreed to these terms without consulting their plaintiff-only structured settlement advisor.

Because the deal involved a structured settlement, the plaintiff attorney later asked us to calculate the value of the structure so that she could show the judge how she calculated her fee. Chuck shopped the periodic payment schedule with all available markets and found numerous highly rated annuity markets that would charge $250,000 or less. When the plaintiff attorney confronted the liability insurer with this startling realization, she was told that there was already an agreement in place and it would not be renegotiated.

Bottom line:

The plaintiff lost out to the tune of $50,000.

The liability insurer saved $50,000 to help fund more tort reform legislation.

The second phase of the settlement negotiations involved two excess insurers. Each excess carrier had their own list of "approved" annuity markets with only two markets being common to each carrier. The plaintiff attorney negotiated a settlement with the two excess insurers for $2,000,000, with the condition that any structure be done with the most competitive carrier on their approved list. For all the obvious reasons, the plaintiff attorney needed to structure the little girl's recovery. But once again, the plaintiff attorney negotiated the settlement without consulting with their plaintiff-only structured settlement advisor.

After settlement, we were contacted to work with the little girl's parents and designed a split-funded (two annuity carriers) program using two highly-rated annuity carriers. These carriers were already very price competitive but became even more competitive because they offered a "jumbo case discount", offered "daily rates", and increased their "rated age" as the victim's injuries affected their opinion of her remaining life expectancy.

When the plaintiff attorney presented her client's wishes to the excess insurers, she was reminded of the terms of the mediation she agreed to which limited her client's choices to what turned out to be only two annuity providers. It was only then learned that one of these providers was not even able to write the type of annuity program the client selected and the other grossly overcharged to do so. Faced with the circumstances, the plaintiff attorney reluctantly recommended the overpriced program and the plaintiff reluctantly took a significant financial punch to the stomach.

Bottom line:

The plaintiff lost out again, but this time to the tune of over $100,000.

The liability insurer saved over $100,000 to again help fund even more tort reform.