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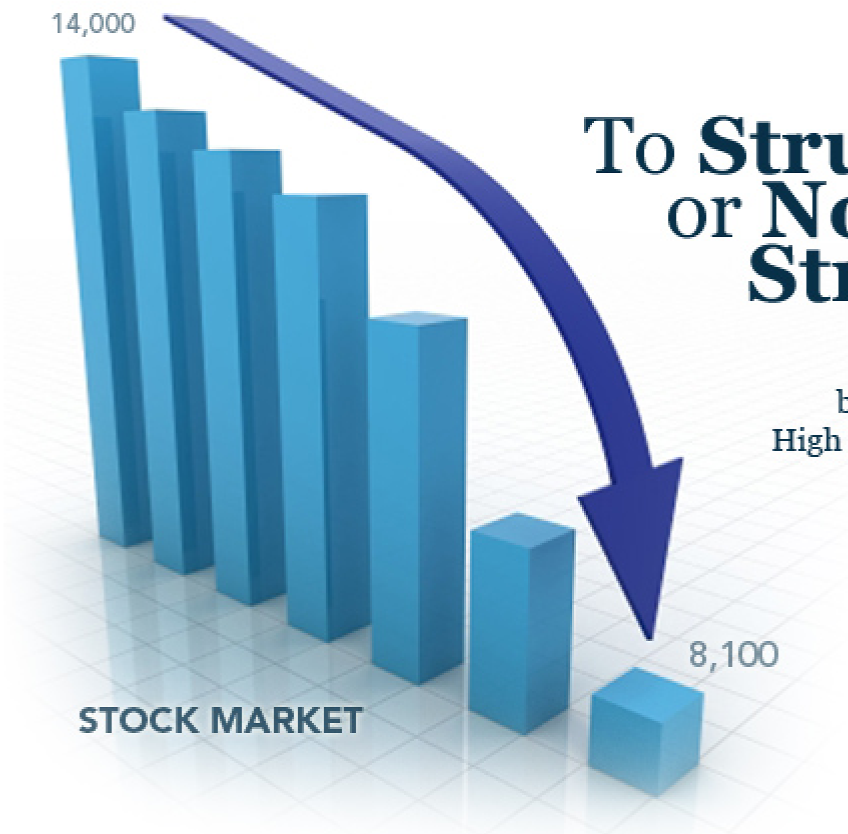

To Structure or Not to Structure?

by: **John S. Bat, CSSC**
High Impact Structures, LLC

In light of the recent downturn in the world's capital markets, it is no surprise that I have been fielding calls on a daily basis in regards to whether a structured settlement is still a good option for their clients.

Simply put, what seems to be happening on a daily basis on Wall Street justifies every structured settlement annuity ever written. While the world's markets have lost trillions of dollars in the last few months, not a single dollar was lost in any structured settlement written. They are guaranteed, safe, secure, low risk and for the most part offer the best rate of return around. There has never been a better time to structure a settlement or attorney fees.

Our Most Frequently Asked Questions:

Q1. The Insurance Companies that underwrite the structured settlements seem to be teetering on financial collapse. Why should I feel comfortable structuring a settlement at this time and what happens if a company like AIG underwrites a structured settlement and they go bankrupt?

A. Every annuity issued in this country must be backed dollar for dollar by a secure and liquid asset in that insurance company's General Account. The majority of assets backing up each annuity are the safest possible asset, U.S. Treasury Bonds. U.S. Treasury bonds are so safe they do not even require a credit rating attached to them. They are above that. Other assets backing the annuity may also be bonds of varying rating degrees with the majority being rated AA or higher. In addition to the "dollar for dollar" liquidity in the insurance company's General Account the insurance company may maintain a Reserve Account (additional collateral for their future obligations) and may also maintain a Surplus Account which holds the insurance company's profits. In short this means that a structured annuity is the safest investment vehicle around today.

Q2. What will happen to the owners of AIG annuity policies?

A. Insurance is a highly regulated industry. In the case of AIG annuities, issued by various AIG American General Insurance companies, the policy holders are protected. By state law, these insurance entities are required to maintain enough capital and surplus to satisfy their future obligations to their policy holders. AIG's life insurance, general insurance and retirement services businesses remain adequately capitalized and able to meet all of their obligations. AIG's life insurance businesses (e.g., American General) are separate entities from AIG's financial products division which is the primary culprit of the company's problems. Additionally, the life insurance company's General Account and Reserve Accounts cannot be attached by AIG's financial products divisions. That is why AIG's life companies ratings have only been downgraded in credit from A+ (Superior) to A (Excellent) by A. M. Best. If AIG goes bankrupt, it will have little or no effect on those annuities secured by its separate insurance divisions such as American General.

John S. Bat, CSSC, is a founding partner in **High Impact Structures, LLC** and since 1983 has been insurance licensed, Series 7 licensed and currently affiliated as a Registered Representative and Financial Advisor for traditional full service Trust and Investment Management solutions through his affiliation with ING TRUST and Multi Financial Securities Corporation, both wholly owned by ING, U.S.A.

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