WHO IS EPS SETTLEMENTS GROUP OF CANADA?

With history dating back to 1973, EPS Settlements Group of Canada is a member company of the oldest, largest and only international structured settlement organization in North America.

While drawn from a variety of complementary disciplines and backgrounds, the staff of EPS Settlements Group of Canada is altogether united in the Mission, Vision and Values of the company.

OUR MISSION

To facilitate co-operation and relieve hardship through the delivery of financial security.

OUR VISION

EPS Settlements Group of Canada aspires to be valued as:

- a champion of structured settlements
- a leader in the provision of services related to structured settlements, distinct in a willingness to co-operate and partner with others
- an active agent of socially responsible business

OUR VALUES

At EPS Settlements Group of Canada, we:

- deliver service with the highest level of integrity and civility
- engage in open and transparent communication
- place the well-being of those we serve over our own interests
- anticipate and exceed the expectations of our clientele through innovative solutions

EPS Settlements Group of Canada

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EPS Settlements Group of Canada

The Structured Settlements Company™

THE FAQ ON STRUCTURED SETTLEMENTS

WHAT IS A STRUCTURED SETTLEMENT?

A structured settlement is, quite simply, a guaranteed tax-free annuity.

Structured settlements date back to the 1950s. They first appeared in the United States in 1958 in the form of a structured judgment and have been used extensively since then, the more prominent early examples being the thalidomide cases of the 1960s and the Ford Pinto cases of the 1970s.

Structured settlements were first introduced to Canada in 1968 by way of these same thalidomide cases. They did not, however, gain any widespread level of acceptance in Canada until the 1980s, when the federal government conferred tax-free status upon them.

While lump-sum damages are not subject to taxation, the income derived from the investment of a lump sum is. To motivate those made vulnerable by injury to invest their settlement funds in something that cannot be lost (and thereby reduce the chances of needing government support), the Government of Canada exempted structured settlement income from taxation, subject to the following conditions (see Canada Revenue Agency's Interpretive Bulletin IT365R2, available at www.cra-arc.gc.ca/E/pub/tp/it365r2/it365r2-e.html):

(a) a claim for damages must have been made in respect of personal injury or death,

(b) the claimant and the casualty insurer must have reached an agreement under which the latter is committed to make at least periodic payments to the claimant for either a fixed term or the life of the claimant,

(c) the casualty insurer must

- i. purchase a single premium annuity contract which must be non-assignable, non-commutable, non-transferable and designed to produce payments equal to the amounts, and at the times, specified in the agreement referred to in (b),
- ii. make an irrevocable direction to the issuer of the annuity contract to make all payments thereunder directly to the claimant, and
- iii. remain liable to make the payments as required by the settlement agreement (i.e., the annuity contract payout).

In summary then, structured settlements are best described by reference to the following facts:

- Structured settlements are, in essence, guaranteed tax-free annuities
- The tax-free status of structured settlements is as a consequence of Government of Canada regulation
- Structured settlements were introduced by the Government of Canada to create an incentive for those made vulnerable by injury to invest their settlement monies in something that is not likely to be lost prematurely
- Structured settlements are available only in reference to compensatory damages for personal injury or death
- Structured settlements are available only upon the consent of the casualty insurance company or by Court Order (i.e., they must be purchased by the casualty insurance company on behalf of the claimant)
- Structured settlements are only available at the time of settlement and cannot be had after settlement funds have passed into the hands of the claimant
- Structured settlements can be put together in a variety of ways, but once in place, they are paid out in accordance with the plan selected
- Structured settlements are non-assignable, non-commutable and non-transferable
- Structured settlements, as a source of guaranteed tax-free income, may make the recipient credit-worthy to varying degrees, depending on the plan selected
- Structured settlements are, effectively, judgment proof insofar as the recipient of a structured settlement cannot be forced to cash-out a structure to relieve a debt
- Structured settlements offer rates of return that generally exceed (significantly on a net-of-tax basis for the most part) other guaranteed investment options
- Structured settlements offer a level of security that parallels Canada Savings Bonds
- Structured settlements impose no management fees on the recipient

HOW IS A STRUCTURED SETTLEMENT PUT TOGETHER?

A structured settlement may be designed any number of ways. The questions to be answered in the formulation process are as follows:

1. How much is to be invested?
2. How long is the plan to run (i.e., for lifetime, to a certain age, etc.)?
3. When is the plan to begin (i.e., immediately or sometime in the future)?
4. How frequently are the payments to occur (i.e., monthly, annually, etc.)?
5. Are there to be lump-sum payments along the way and, if so, in what amounts and when?
6. Are the payments to be level or indexed/compounded (i.e., to offset the effect of inflation)?
7. Are the payments to be guaranteed to a secondary payee/beneficiary?

Any combination of answers to the foregoing questions determines a structured settlement plan. If one or more of the answers to these questions is changed, the plan of the structured settlement also changes.

WHAT IS THE RATE OF RETURN OR INTEREST RATE OF A STRUCTURED SETTLEMENT?

The rate of return or interest rate of a structured settlement depends on the plan under consideration; that is, it depends on how the structured settlement is formulated (i.e., term, commencement date, frequency of payments, etc.).

The interest rates of structured settlements generally reflect the interest rates of other comparable, guaranteed investments (e.g., Canada Savings Bonds). The important difference is that the interest income earned from a structured settlement is absolutely tax free. This generally means that you would have to earn a significantly higher rate of interest from another investment product to match a structured settlement.

HOW SECURE IS A STRUCTURED SETTLEMENT?

Structured settlements rank among the most secure investments available in Canada. A structured settlement is a life insurance product. The life insurance companies producing structured settlements all:

1. are federally registered;
2. have assets (or access to assets) in excess of $25 billion;
3. have significantly more assets than liabilities (i.e., a high Minimum Continuing Capital and Surplus Requirement); and
4. have a high insurance rating (i.e., from, for example, Standard and Poor's, Moody's, A.M. Best, etc.).

In light of this, the chance of any of these life insurance companies defaulting is virtually non-existent. However, even if that were to happen, there are two additional levels of protection built into a structured settlement; namely, Assuris and the casualty insurer.

Assuris is, in effect, insurance on the remote possibility that a life insurance company fails to meet its financial responsibilities. If any one or all of the life insurance companies participating in a structured settlement were to fail, Assuris would make the structured settlement payments, subject to a limit (see the Assuris website at www.assuris.ca for more details). If any one or all of the participating life insurance companies and Assuris, together, were unable to make the payments owed, the casualty insurer (or its assignee) would become responsible to do so.

HOW IS A STRUCTURED SETTLEMENT CONSULTANT PAID?

No bill or management fee should ever be charged in reference to a structured settlement. Structured settlement consultants receive payment, in the form of commission, from the life insurance company or companies from which a structured settlement is purchased. What you see on a structured settlement payment schedule is what you get, guaranteed and tax free, without any hidden charges.

HOW DO YOU COMPARE STRUCTURED SETTLEMENTS TO OTHER INVESTMENTS?

To compare structured settlements to other investment options, the following questions might be asked of the person or persons providing financial advice:

1. What is the rate of return or interest rate represented in the plan under consideration?
2. Is this a guaranteed rate of return or interest rate for the entire period of the plan or merely an estimate (a structured settlement is fully guaranteed to the recipient for the term of the plan)?
3. Is there periodic income (e.g., monthly income) represented in the plan and, if so, is it tax free (structured settlement income is paid periodically and absolutely tax free)?
4. Does the plan provide guaranteed indexation/compounding to offset inflation (a structured settlement plan can be formulated to include this)?
5. Does the plan provide an additional guarantee to a designated secondary payee/beneficiary (a structured settlement plan can be formulated to include this)?
6. Does the plan provide protection against the payment of taxes and/or capital gains upon your death (a structured settlement can do so with a guarantee to a secondary payee/beneficiary)?
7. Is the plan judgment proof (a structured settlement effectively is)?
8. Are there any additional management fees associated with the plan (there are no management fees with a structured settlement)?