

## **Structured Settlement Kickbacks How They Work, and Why You Should Care**

**If you're looking for evidence of kickbacks in the structured settlement business, look at those "approved" lists of brokers that some insurance companies maintain. Think about it: what is the purpose of that list? To reward brokers with good manners? Nice teeth? A sterling reputation? A demonstrated concern for the best interests of injured clients?**

The "approved" list is obviously a way for insurance companies to bring business to particular brokers.

Here's the next question: **why** would an insurance company want to give business to a particular broker? Married to the insurance company Chairman's favorite daughter, perhaps? Maybe the broker maintains a household full of foster children? No, the insurance company wants a particular broker because getting that broker may mean money for the insurance company. Perhaps he works for a structured settlement firm owned by the insurance company. Perhaps he will place the annuity with a company affiliated with the insurance company. But in many cases, the benefit is even more direct. In many cases, the broker is giving a percentage of his commission to the insurance company that pushed his services on the plaintiff. A kickback.

The kickback system became entrenched years ago. A broker wanting more structured settlement business offered to rebate 25% of his 4% commission on any structured settlements sent his way. Some competing brokers pushed the kickback up to 50% of the commission. As competition among brokers became intense, not providing a "rebate" sometimes became a real handicap. The insurance companies had their "approved" lists, and brokers left off of it found their options severely limited. Some insurance companies, to their credit, refuse to play this game, but for those that do, it is one way to make a profit off of structured settlements.

Why should you care? Certainly kickbacks are unethical, and in many professions illegal; still, if your client gets the structured settlement agreed upon, what's the problem?

There are two problems. The first is that the kickbacks are one more manifestation of the defense changing and manipulating the terms of the settlement after the plaintiff has signed off. In this regard, it belongs to the family of maneuvers that includes post-settlement underwriting, in which the insurance company gets a better buy on the annuity after the settlement has been agreed upon by the plaintiff, and pockets the difference. In both cases, the plaintiff's money finds its way back to the other side. The route is different, but the result is the same.

Both transactions also take place after the settlement agreement, when you are powerless to protect your client. Make no mistake: any funds kicked back to the insurance company are rightfully part of the plaintiff's settlement, covertly channeled into the coffers of the party that was supposed to be paying, not receiving. That's wrong.

There is only one way to be absolutely certain that some post-settlement flim-flam isn't going to take place after you've agreed to a defense-controlled structured settlement.

Don't agree to a defense-controlled structured settlement.