Selling Your Structured Settlement Payments
Questions and Answers

What is a Structured Settlement?

Many personal injury and wrongful death cases are settled with a "structured settlement." Instead of the defendant paying all the money in cash up front, in a structured settlement the defendant purchases an "annuity." Under the annuity, an insurance company pays out most of the settlement money over time, often a long time. The payments can be "lump sums" (an amount of cash paid annually or at other scheduled times), in regular monthly amounts, or both ways.

What is a structured settlement "transfer"?

In a structured settlement transfer, a company offers to pay cash now for all or part of the rights to your future payments. A sale of those rights is a "transfer." The company offering to purchase your right to future payments is called a "factoring" company.

Is there a court process involved in a structured settlement transfer?

Yes. The company buying your future payment rights must get a state court to approve the purchase. For D.C. residents, that court is the D.C. Superior Court. The court will have a hearing to determine whether the transfer is in your best interest and the best interest of your dependents. The judge may ask you questions to make sure you understand the deal, to find out why you need the money, and to see if you've thought about other ways to meet your needs.

Do I need a lawyer?

You are ***not required*** to have a lawyer. But you ***should*** have one***!*** The company's lawyer will file the court case. But the company and its lawyer will not protect your interests or ensure that your deal is fair or reasonable. Their only interest is to profit from the deal and get it approved. In fact, the deals that companies offer are rarely fair or reasonable. Only a lawyer or another independent professional advisor (like an accountant) can give you objective (unbiased) advice about your deal.

Where can I find a lawyer?

D.C. residents can apply to Legal Aid for assistance. We offer free advice about structured settlement transfers to people with low household income. A Legal Aid lawyer can help you understand your structured settlement rights, whether your deal is fair, and may even be able to help you negotiate better terms. To apply for assistance, call 202-628-1161 from 9:00 to 5:00 on Mondays, Wednesdays, or Fridays. Or you can apply online at https://intake.legalaiddc.org/

I think my deal is fair. Does that mean that I don’t need advice?

Determining whether a deal is fair is complicated and requires specific skills. In addition, even if the price is fair (meaning that it is the best you could get from any company), selling your future payment rights is often a bad idea. For these reasons, it is a good idea to get advice before proceeding with a transfer.

The company says my remaining payments are “life contingent.” What does that mean?

Most structured settlement annuities start with a long stream of payments that are “guaranteed.” That means that your beneficiary (for example, your parent or child) will get the payments even if you die before they come due. If you sell guaranteed payments, you make the company your beneficiary for those payments.

When the guaranteed payments run out, you may have the right to more payments for as long as you live. Those are called “life contingent” payments, meaning that when you die, the payments stop. Because the company purchasing life contingent payments may not actually get the payments (if you die before the payments come due), they cannot offer you nearly as much for those payments as for guaranteed payments. Selling life contingent payments is usually a bad idea.