

HOUSE RESEARCH

Bill Summary

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Subject: Cashing out structured settlements

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Overview

Structured settlements are arrangements in which an accident victim is compensated by an insurance company through periodic payments. Usually the insurance company originally liable contracts with another insurance company for an annuity to fund the payments. A market has developed in which a business pays cash to acquire from victims the right to receive these streams of future payments from insurance companies. This bill requires prior approval from a court before a structured settlement can be cashed out.

- 1 Definitions.** Defines 18 terms used in this bill.
- 2 Conditions to Transfers of Structured Settlement Payment Rights.** Provides that no transfer of a structured settlement is effective unless a court has approved it based upon the court's determination that:
 - (a) the transfer complies with this bill and all other laws that apply;
 - (b) the "transferee" (company to which the settlement is being transferred) has provided the "payee" (accident victim who is entitled payments prior to the transfer) a written disclosure of what the payee is getting and giving up, ten days prior to completing the transfer. This disclosure is specified in detail in the bill;
 - (c) the payee or the payee's dependents badly need cash now and will not suffer "undue hardship" from the lack of payments in the future;
 - (d) the payee has received independent professional advice;
 - (e) if the transfer is not permitted under the settlement agreement, that all parties to the settlement agreement, including the original court, have agreed to the transfer, except that the approval of the annuity issuer and the insurance company that settled the claim is not required under certain conditions; and
 - (f) the transferee (person buying the settlement) has provided the annuity issuer and original insurer with a written notice of the transferee's name, address, and tax ID number, and filed it

with the court.

3 Jurisdiction; procedure for approval of transfers.

Subd. 1. Jurisdiction. Gives Minnesota district courts nonexclusive jurisdiction over an application for approval of a proposed transfer of structured settlements.

Subd. 2. Notice. Requires transferees (buyers of settlements) to provide 20 days notice of the court hearing to all interested parties. Specifies what must be in the notice. Provides that any written responses must be filed with the court within 15 days after service of the notice.

Subd. 3. Standing. Gives the commissioner of commerce standing to participate in the court proceeding.

4 No Waiver; No Penalties. Prohibits waivers of this bill. Provides that payees must not be charged anything by the proposed transferee if the proposed transfer is not approved.

5 Construction. Provides that this bill should not be construed to permit transfers that violate any law.

6 Effective Date. Effective August 1, 1999.