UNITED STATES ANNUITIES UPDATE

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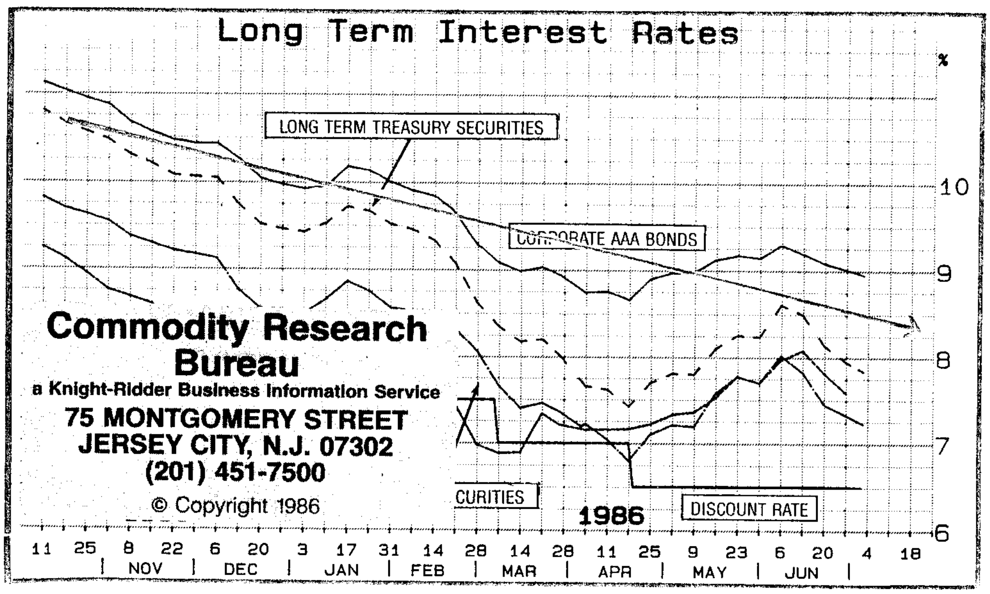
MARKING TIME

With little direction from the cash markets, annuity and GIC rates during June were mostly dead in the water. Premiums for SPIAs, for example, declined by less than 4%, not yet reflecting the larger increase in market rates that occured during May. It appears the industry is not yet convinced that the long end of the curve will hold its gains. Until this becomes the case, premiums should continue to hover in their present ranges.



GIC rates, too, only increased ever so slightly. Average GIC rates were up about 15 basis points, which translates into a 2% advantage. GICs, being short-term products, will usually reflect market rate changes more quickly than their long end-based annuity cousins. This will account for their varying responsiveness to market rate changes. We do expect, however, that annuity premiums will decline further if market rates continue to drift upwards.

On the product front, there are two newsworthy items to report. First the *Life Insurance Marketing and Research Association* (LIMRA) recently found that overall annuity sales continued robust during the first quarter of 1986. Total considerations were up 20% over last year's figures. The bulk of this increase was in the variable annuity sector and is primarily due to (1) the advent of the tax season and the accompanying IRA rush and (2) the strong performance of the stock market, which contributed toward making the variables more attractive than the fixed plans.

As for the second item, in response to the fact that GIC returns have been entrenched in the single digit range, there has been

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renewed interest in redesigned participating GICs--known as "PICs"--and in indexed GIC contracts, both products that are more responsive to potential upticks in rates. In our next issue we will be reporting in more detail on these two new varieties.

With long-term interest rates falling by more than two hundred basis points during the past year, plan administrators are beginning to report a marked reduction in the funded status of their plans. *Pension & Investment Age* (July 7, 1986) is now estimating that there may have been a reduction by as much as $200 - $300 billion dollars in the funded status of the private pension system over the last twelve months. This news may come as a great surprise to many plan administrators who were pleased with events unfolding on the asset side of the funding equation, where equity and bond values made such strong advances. Few of us have been paying as much attention to the impact of dropping interest rates affecting the criticial assumptions that determine the value of a plan's accrued liabilities. Industry experts are now saying that falling interest rates may have actually placed the overall private pension system in an underfunded position. In future issues, we will explore these events in more detail.

A final note, we are starting the first in a series of annual readership surveys on the performance and interaction of the insurance carriers with the business and plan administration community. We urge you to complete the enclosed survey form and return it to our office by August 31. We will report your reponses in upcoming issues.

Hersh

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ADVERTISING: For rates and closing dates contact Hersh L. Stern (201) 521-4478.

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SINGLE PREMIUM DEFERRED ANNUITIES (SPDA's)

Tax-deferred accumulation contracts available for qualified rollovers. Rates and individualized proposals are available on request. Call (201) 521-4478 for details.

Insurance Company	Best's Rating	Admitted Assets	Quote Date	Effect. Annual Yield	Yield Guarantee Period	Bail-Out (Escape/ Floor)	Surrender Fees Year 1	Surrender Fees Year 4	Surrender Fees Year 7	Remarks (a)	Remarks (b)	Remarks (c)	Remarks (d)	Remarks (e)	Remarks (f)
American Investors	A	$ 0.2B	0618	10.5%	1 Year	none	10%	7%	4%	5.0%	Y	Y	Y	$ 0	$ 0
Amer. Life & Casualty	A	$ 0.4B	0619	9.50%	1 Year	6.50%	7%	4%	1%	3.5%	Y	Y	Y	$ 0	$ 0
Business Men's Assur	A+	$ 0.9B	0616	8.50%	1 Year	none	10%	4%	0%	3.0%	Y	Y	Y	$ 0	$ 0
Exec. Life	A+	$10.0B	0618	7.25%	4 Years	none	0%	0%	0%	nr	Y	Y	na	$ 0	$ 0
Guar. Secur.	nr	$ 0.4B	0602	8.50%	1 Year	na	10%	5%	2%	v	Y	Y	Y	$ 0	$ 0
Kemper	A	$ 3.0B	0618	8.50%	2 Years	T-Bill	7%	6%	3%	nr	Y	Y	N	$ 0	$ 0
Mod. Pionrs'	A	$.008B	0617	10.25	3 Mo.	none	9%	5.4%	2.7%	4.7%	Y	Y	Y	$ 0	$ 0
Manulife	A+	$ 16 B	0623	8.70%	5 Years	na	3%	3%	3%	1.5%	Y	Y	Y	$ 0	$ 0
N.A.L.A.C.	A+	$ 0.6B	0623	7.75%	3 Years	-1.5%/yr	9%	8%	6%	nr	Y	Y	Y	$ 0	$ 0
Standard I	A+	$ 1.1B	0612	8.50%	none	6.25%	4%	4%	4%	2.0%	Y	Y	Y	$30	$ 0
Sunlife/Amer	A+	$ 1.5B	0615	8.75%	1 Year	7.50%	6%	3%	0%	4.0%	Y	Y	Y	$ 0	$ 0
Sunlife/Can	A+	$ 2 B	0617	8.10%	5 Years	na	9%	7%	v	4.0%	Y	Y	Y	$ 0	$25
Time Insur.	A+	$ 0.5B	0617	9.5%	none	3.0%	9%	6%	3%	3.0%	Y	Y	N	$ 0	$ 0
Transamerica	A	$ 3.1B	0618	7.75%	1 Year	6.74%	8%	5%	2%	3.25%	Y	Y	Y	$ 0	$ 0
Wash Ntl	A	$ 0.1B	0616	9.00%	Jan.15	none	6%	6%	4%	4.0%	Y	Y	Y	$ 0	$30
West. Unitd	nr	$ 0.2B	0612	9.00%	none	4.5%	5%	3%	3%	5.0%	Y	Y	N	$ 0	$ 0

Remarks:
B=billion, mva=market value adjustment, na=not available, nr=not reported, v=varies with plan
(a) Commission rate quoted is X%
(b) Acceptable for qualified lump-sum distributions (Y/N)
(c) Free annual withdrawal permitted (Y/N)
(d) Surrender charges waived if proceeds applied to lifetime income annuity option (Y/N)
(e) Sales charges of $X
(f) Annual charges of $X
(g) 2% 1st yr., 1% yrs 2-4

FLEXIBLE PREMIUM RETIREMENT ANNUITIES (FPRA's)

Tax-deferred accumulation contracts primarily used for Tax Sheltered Annuities (TSA) and Individual Retirement Accounts (IRA). Contract allows for flexible contributions on a monthly or annual basis with no requirement for a specific premium amount in any given year. Call (201) 521-4478 for details.

Insurance Company	Best's Rating	Admitted Assets	Quote Date	Effect. Annual Yield	Yield Guarantee Period	Bail-Out (Escape/ Floor)	Surrender Fees Year 1	Year 4	Year 7	Remarks (a)	(b)	(c)	(d)	(e)	(f)
Amer Life & Casualty	A	$ 0.4B	0619	9.25%	1 Year	none	12%	7%	2%	7.25%	Y	Y	Y	na	na
Business Men's Assur	A+	$ 0.9B	0616	8.00%	1 Year	none	10%	7%	0%	8.0%	Y	Y	Y	$ 0	$ 0
ITT Life	B+	$.003B	0613	8.50%	1 Year	none	v	v	0%	6.0%	nr	Y	N	$ 0	$30
Kemper	A	$ 3.0B	0618	8.50%	1 Year	none	8%	5.6%	3.2%	nr	nr	Y	Y	$ 0	$ 0
Mod. Pionrs'	A	$.008B	0617	10.25%	3 Mo.	none	20%	6%	3%	11%	nr	Y	Y	$ 0	$ 0
N.A.L.A.C.	A+	$ 0.6B	0623	7.25%	1 Year	-1.5%/yr	10%	10%	8%	0%	N	Y	Y	$ 0	$ 0
Standard I	A+	$ 1.1B	0612	8.50%	none	6.25%	3%	3%	3%	7.5%	Y	Y	Y	$ 0	$12
Sunlife/Can	A+	$ 2 B	0617	8.10%	5 Years	na	9%	7%	0%	4.0%	nr	Y	Y	$ 0	$25
Time Insur.	A+	$ 0.5B	0617	9.5%	none	4.0%	9.9%	7.2%	4.5%	8.0%	nr	N	N	$ 0	$ 0
Transamerica	A	$ 3.1B	0618	8.00%	1 Year	6.99%	13%	10%	7%	8.0%	nr	N	Y	$ 1	$17
Wash Ntl	A+	$ 1.1B	0616	9.00%	Jan.15	none	6%	6%	6%	4.0%	Y	Y	Y	$ 0	$30
West. Unitd	nr	$ 0.2B	0612	9.00%	3 Mo.	na	5%	3%	3%	5.0%	Y	Y	N	$ 0	$ 0

Remarks:

B=billion, mva=market value adjustment, na=not available, nr=not reported, v=varies with plan

(a) Commission rate quoted is X%
(b) Available for Section 403(b) Tax Sheltered Annuity (Y/N)
(c) Free annual withdrawal permitted (Y/N)
(d) Surrender charges waived if proceeds applied to lifetime income annuity option (Y/N)
(e) Sales charges of $X
(f) Annual charges of $X

SINGLE PREMIUM IMMEDIATE ANNUITIES (SPIA'S)

Purchased with qualified funds, quoted premiums represent the total amount required to guarantee $1000 of monthly life income. Assumes issue and first payment dates are the same. Quotes include all fees and commissions but not state premium tax, if any. Rates for additional forms and for specific situations are available on request. Call (201) 521-4478 for details.

Insurance Company	Best's Rating	Admitted Assets	Quote Date	ISSUE AGES Male 55	Male 65	Fem. 55	Fem. 65	Quoted Commission
Amer. Life & Cas.	A	$ 0.4B	0619	$125,000	$108,000	$131,000	$118,000	3.50%
Canada Life	A+	$ 6.9B	0620	$122,865	$106,521	$129,786	$115,650	3.00%
Exec. Life	A+	$10.0B	0618	$118,869	$103,912	$124,921	$112,364	4.00%
Guar. Secur.	nr	$ 0.4B	0602	$121,951	$104,932	$138,866	$114,416	nr
Mod. Pioneers'	A	$ .01B	0617	$128,040	$109,649	$135,685	$119,760	2.35%
N.A.L.A.C.	A+	$ 0.6B	0623	$127,100	$103,400	$139,900	$119,000	0.00%
Standard Ins.	A+	$ 1.1B	0612	$114,610	$102,660	$119,580	$109,580	3.00%
SunLife/Amer.	A+	$ 1.5B	0615	$108,225	$ 95,238	$113,636	$102,881	3.00%
SunLife/Canada	A+	$ 2 B	0617	$126,366	$108,685	$132,902	$117,202	4.00%
Travelers	A+	$41.6B	0623	$132,406	$109,777	$142,355	$124,193	1.50%
Wash. Natl.	A+	$ 1.6B	0616	$126,139	$107,119	$133,919	$117,932	2.50%
West. Untd.	nr	$ 0.2B	0612	$117,096	$100,100	$124,224	$109,290	5.00%
Average Rates			This issue	$122,389	$104,999	$130,565	$115,822	
			Last issue	$127,364	$109,164	$133,610	$117,556	
			Change	-3.9%	-3.8%	-2.2%	-2.1%	

Remarks:
B=billion nr=not reported

SINGLE PREMIUM GROUP ANNUITIES (SPGA'S)

Non-par "buyout" contracts for terminating pensions and for reducing annual funding liability in ongoing plans. Underlying rates are currently in the 7.50% to 9.00% area. Pricing here is fairly complicated and premium calculations depend on the plan specifications included in the contract, the age distribution and ratio of immediate to deferred participants, and other factors. Not surprisingly, price leadership in this market changes throughout the year, and even with respect to the same plan, quotes from competing insurers may vary by as much as 30%.

(Editor's Note: United States Annuities brokerage service represents the 25 major markets issuing non-par SPGA contracts. Call (201) 521-4478 for further information.)

GUARANTEED BENEFIT DEFERRED ANNUITIES (GBDA'S)

Total premium amount required to *guarantee* $1000 of monthly life income with the first payment deferred to age 65. Quotes include all fees and commissions but not state premium tax, if any. Call (201) 521-4909 for quotes or further details.

Insurance Company	Best's Rating	Admitted Assets	Quote Date	ISSUE AGES Male 35	Male 50	Fem. 35	Fem. 50	Remarks (a)	(b)	(c)	(d)
Canada Life	A+	$ 6.9B	0618	$ 11,868	$ 28,892	$ 13,614	$ 32,708	3.0%	na	0.0%	N
Exec. Life	A+	$10.0B	0618	$ 8,352	$ 26,308	$ 9,164	$ 28,661	4.0%	nr	11.5%	N
Guar. Secur.	nr	$ 0.4B	0602	$ 45,886	$ 82,672	$ 51,738	$ 93,214	nr	nr	4.0%	N
N.A.L.A.C.	A+	$ 0.6B	0623	$ 28,800	$ 62,100	$ 33,630	$ 72,900	nr	5.5%	av	Y
Travelers	A+	$41.6B	0623	$ 16,772	$ 39,421	$ 19,269	$ 45,036	1.5%	grd	7.0%	Y
Time Insur.	A+	$ 0.5B	0617	$ 61,082	$ 91,863	$ 67,220	$101,225	3.0%	3.0%	3.0%	Y
Wash. Ntl.	A+	$ 1.6B	0616	$ 50,968	$ 79,406	$ 50,968	$ 79,406	2.5%	3.5%	grd	Y
West. Untd.	nr	$ 0.2B	0612	$ 32,749	$ 63,738	$ 37,344	$ 72,272	5.0%	4.5%	4.5%	Y

Remarks:
B=billion av=accum value grd=graded na=not applicable nr=not reported v=varies by plan
(a) Commission rate quoted is X%
(b) The guaranteed interest rate in effect over the life of the contract is X%
(c) Includes REA pre-commencement death benefit equal to return of premium with interest accumulated at X%
(d) Permits annuitant to cash out his certificate under certain conditions (Y/N)

CERTIFICATES OF DEPOSIT (CD'S)

FDIC insured CD's. Stated rates as of 6/30/86. Source: *100 Highest Yields* and *Bank Rate Monitor.*

Maturities	Institution/Location	Phone	Compnd Mthd	Stated Yield	Ann Eff Yield	Avrg Ann Yield
6-Month	Alamo Svgs TX/San Anton., TX	(512) 828-7171	CQ	7.70%	7.93%	nr
	Village Savings/Houston, TX	(713) 965-9213	SI	7.65%	7.91%	nr
	NATIONAL AVERAGE (BRM Index)				6.79%	
1 Year	1st Svgs East TX/Houston, TX	(713) 975-1722	CD	8.00%	8.27%	nr
	Sunbelt Svgs/Dallas, TX	(800) 527-5165	CQ	8.00%	8.24%	nr
	NATIONAL AVERAGE (BRM Index)				7.09%	
2-1/2 Yrs	Lamar Savings/Dallas, TX	(800) 527-5182	CC	8.25%	8.88%	9.49%
	Golden Coin S&L/San Fran., CA	(415) 392-8988	CD	8.25%	8.72%	9.30%
	NATIONAL AVERAGE (BRM Index)				7.85%	
5 Year	Western Svgs/Gatesville, TX	(800) 231-4212	CC	8.90%	9.44%	11.40%
	Yorkridge-Calv/Baltimore, MD	(301) 484-4600	CC	8.75%	9.27%	11.16%
	NATIONAL AVERAGE (BRM Index)				9.25%	

Remarks:
nr= not reported
Compounding Abbreviations - CC=continuously, CD=daily, CQ=quarterly, SA=semi-annually, CA=annually, SI=simple interest.
Average annual yield is the average yield per year over the life of the investment, assuming all principal and interest remain on deposit until maturity.

STRUCTURED SETTLEMENT ANNUITIES

For personal injury applications, these quotes represent the total premium amount required to guarantee $1000 of monthly life income, assuming a 0% or 3% per annum cost of living adjustment (COLA). Assumes normal life expectancy (ie., plaintiff's injury is not life impairing). Cost of third-party assignment extra. Issue date and first payment dates are the same. Quotes include all fees and commissions but not state premium tax, if any. Quotes on additional forms of annuity and for specific situations not illustrated are available on request. Call (201) 521-4478 for details.

Insurance Company	Best's Rating	Admitted Assets	Quote Date	ISSUE AGES (WITH X% COLA) Male 15 (0%)	Male 50 (0%)	Male 15 (3%)	Male 50 (3%)	Quoted Commission
Canada Life	A+	$ 5.5B	0618	$147,135	$128,683	$232,467	$174,233	3.00%
Exec. Life	A+	$10.0B	0618	$137,913(b)	$116,793(b)	$200,381(b)	$150,076(b)	4.00%

Remarks:
B=billion
(b) Third-party assignment flat fee of $1,000 included in quote.

GUARANTEED INTEREST CONTRACTS (GIC'S)

Quoted rates for "bullet" contracts reported net of expenses and commissions and subject to daily change. Call (201) 521-4909 for current quotes on different deposit amounts and terms not illustrated (eg., "window" GIC's, dedicated portfolios, etc.)

Insurance Company	Best's Rating	Admitted Assets	Quote Date	$500,000 Deposit Compound 3 Yr	$500,000 Deposit Compound 7 Yr	$500,000 Deposit Simple 3 Yr	$500,000 Deposit Simple 7 Yr	$5,000,000 Deposit Compound 3 Yr	$5,000,000 Deposit Compound 7 Yr	$5,000,000 Deposit Simple 3 Yr	$5,000,000 Deposit Simple 7 Yr	Quoted Commission
Allstate	A+	$ 2.7B	0618	8.05%	8.80%	8.02%	8.68%	8.05%	8.80%	8.02%	8.68%	0.00%
Canada Life	A+	$ 5.5B	0618	8.01%	na	8.26%	9.39%	8.37%	na	8.62%	9.57%	0.20%
Exec. Life	A+	$10.0B	0618	8.69%	9.28%	8.69%	9.28%	8.71%	9.31%	8.71%	9.31%	0.20%
Manu Life	A+	$16.0B	0623	8.20%	nr	8.20%	nr	8.55%	nr	8.55%	nr	0.00%
New York Life	A+	$31.0B	0617	8.37%	8.90%	8.46%	8.94%	8.47%	8.90%	8.56%	8.94%	0.20%
Prudential	A+	$91.7B	0616	na	na	na	na	7.89%	8.69%	7.89%	8.69%	0.00%
Southwestern	A+	$ 5.0B	0612	8.41%	8.87%	8.41%	8.87%	8.50%	8.97%	8.50%	8.97%	0.20%
Transamerica	A	$ 3.1B	0618	8.14%	na	7.43%	8.22%	8.32%	na	7.61%	8.40%	0.00%
Travelers	A+	$41.6B	0623	7.01%	7.71%	na	na	7.55%	8.25%	na	na	0.00%
Average Rates	This Issue (July)			8.11%	8.71%	8.21%	8.89%	8.26%	8.82%	8.30%	8.93%	
	Last Issue (June)			7.94%	8.73%	8.04%	8.77%	8.08%	8.88%	8.11%	8.87%	
	Change in Basis Pts.			+17	-02	+17	+12	+18	-06	+19	+06	
	Percent Change in Rates			+2%	-.2%	+2%	+1%	+2%	-1%	+1%	+.6%	

Remarks:
B=billions na=not available nr=not reported

INDIVIDUAL VARIABLE ANNUITIES (IVA's)

Available for qualified and non-qualified funds. Unlike fixed interest annuities, Variable Annuities typically offer a range of funding vehicles where investment unit values are subject to fluctuation in response to market conditions. Subject to limitations, exchange privileges between funds are available. Because of their similarity to mutual funds, Variable Annuities can only be sold by agents and brokers who are license by the National Association of Securities Dealers to sell investment products.

Insurance Company	Best's Rating	Admitted Assets	Quote Date	AVAILABLE ACCOUNTS Fixed Interest	Income/ Bond*	Equity/ Stock*	Money Market**	Other	Permits Flexible Premium	# Yrly. Exch. Permitted Betw. Accts.
Kemper	A	$3.0B	0618	8.50%	Y-nr	Y-nr	Y-nr	Y-nr	Y-nr	nr
SunLife/Canada	A+	$ 2B	0617	Y-nr	Y-nr	Y-nr	Y-nr	Y-nr	Y-nr	6
Wash. Ntl.	A+	$1.6B	0616	Y-nr	17.75%	36.02%	Y-nr	Y-nr	Y-nr	nr

Remarks:

B=billion, Y=yes, nr=nor reported

* Performance during previous 12 months
** Total Assets held ($ 000's omitted)

NEWS NOTES

ACTUARIAL REDUCTION FOR EARLY RETIREMENT --- MIGHT FORCE EXECUTIVES INTO EXCESS PLANS

Executives who retire early might get the bulk of their retirement benefits from non-qualified excess plans if the Senate Finance Committee tax bill's provisions become law, speakers told a May 29-30 conference on executive benefits sponsored by The Bureau of National Affairs Inc.

The committee's bill would require actuarial reductions of the annual benefit in defined benefit plans for retirement before age 65 instead of age 62, and would eliminate the $75,000 floor at age 55 on actuarial reductions of the defined benefit limit, Harry Conaway, an attorney/advisor in the Treasury Department's Office of Tax Legislative Counsel, explained May 29.

The annual benefit of $90,000 from defined benefit pension plans would be linked to the Social Security retirement age, Conaway said. Normal retirement age for Social Security will rise gradually to age 67 from age 65, because of the 1983 Social Security Amendments.

Under the Senate Finance Committee bill, the $90,000 benefit would drop to about $37,500 for retirement at age 55. Richard Johnson, of the employee benefits group of Price Waterhouse Inc., said. Executives likely will pick up lost benefits in excess benefit plans, Conaway added.

Elimination of the $75,000 floor is estimated to raise $4.5 billion, Conaway said. Over the long term, the revenue increase is not that significant, he said, but in the five-year spread the bill "picks up a lot" of revenue. (*Cont'd p. 14*)

(News Notes Cont'd)

Elaine Church, also of Price Waterhouse's employee benefits group, said the house bill would retain a $65,000 floor at age 55. She asked Conaway whether the floor could survive in conference between the House and Senate tax bills. Conaway said he has heard some discussion about phasing out the age 62-age 65 window, rather than dropping it immediately.

The proposed loss of the floor hurts plans funding for early retirement, Church said. "The floor of $75,000 paid at age 55 is worth more on an actuarially equivalent basis than the full benefit paid at age 62," she said. So without regard to whether an assumption of age 55 retirement is reasonable, practitioners began funding for such early retirement, she explained. Conaway agreed that possible funding abuse was a consideration in eliminating the floor.
(Reprinted from *BNA Pension Reporter*, 6-9-86)

SIXTY OVERFUNDED CONTRIBUTORY PLANS RECEIVED SUFFICIENCY NOTICES

PBGC has issued notices of sufficiency to 60 overfunded pension plans with termination dates in calendar years 1984 and 1985 to which employees made contributions, according to data submitted to Rep. Edward R. Roybal (D-Calif), chairman of the House Select Committee on Aging. The data was attached to an April 2 letter to Roybal from Thomas Veal, director of PBGC's corporate policy and regulations department. Veal was responding to a March 4 letter from Roybal to PBGC Executive Director Kathleen P. Utgoff concerning several issues, including a request for a list of those overfunded plan terminations in which retirees of the plan sponsor received their employee contributions from a contributory plan.

The data shows that 37 of the plans used the presumptive method for allocating a portion of the excess assets attributable to employee contributions.

Veal noted in his letter that the 1983 appeals court ruling in *LLC Corp v. PBGC* held that the PBGC's standard method for determining the surplus allocable to employee contributions is unduly favorable to participants (440 BPR 675, 4 EBC 1233). PBGC disagrees with the result of this case, according to Veal, who said the agency's experience indicates that most plan sponsors use the method of allocation prescribed in PBGC regulations.

Risk-Related Premiums

The issuance of a report on risk-related premiums has been delayed until after the enactment of single employer reforms, according to Veal, who said the reforms are a factor in the risk analysis and premium design. President Reagan signed the reforms into law five days after Veal's letter to Roybal (Spec. Supp., April 14, 1986).

"Whatever the basis on which premiums are collected they must produce enough revenue to cover claims against the PBGC insurance program, if the program is to become solvent," Veal wrote. "The equalization of revenues and claims is feasible under any premium structure, and a risk-related premium has no inherent advantage in this respect." He said the virtue of a risk-related premium is that it would elimate "the present subsidies extracted from healty sponsors of well-funded pension plans for the benefit of less healthy firms and less well-funded plans."

There is no "inherent reason" why private firms could not insure against the risk of pension plan insufficiency, as they insure against many other risks, Veal said in response to Robyal's questions about transferring some of PBGC's functions to the private sector.
(Reprinted from *BNA Pension Reporter*, Vol. 13 pp. 787-788)

PRODUCT NOTES

WORKERS' COMPENSATION STRUCTURED SETTLEMENTS

Until recently, Workers' Compensation Claims could be settled with a "Structure," but the defendant company had to retain the long-term liability as the owner of the litigation annuity. There was no option to transfer the liability out of the hands of the compensation carrier. The carrier would have to carry the long-term obligation and the litigation annuity on its books, recognize income from the annuity, and claim a deduction for payments to the claimant. This presented a significant burden for using a Structure Settlement in a compensation case.

Now, the long-term obligation can be eliminated by transferring the ownership to a Third Party in the same manner that we handle regular Structured Settlements, where the defendant company does not wish to own the litigation annuity. The claimant can receive the advantages of a guaranteed stream of payments which will not be dissipated, and the carrier can close its file with a complete compromise (fulfilling the law) and release.
(Reprinted from *Structured Settlement Briefs: An Alternative to Litigation*)

POINTS TO CONSIDER WHEN CHOOSING AN INSURANCE BROKER

Plan administrators and actuaries who may be going through the process of choosing an insurance broker should judge the candidates on a variety of points, ranging from the scope and quality of the broker's marketing services to the recommendations of and persistency of its clientele. When evaluating the adequacy of a broker's services, administrators should especially be on the lookout for the following:

* Does the broker approach his markets directly or through an intermediary?
  What kind of relationship does the broker have with his markets?
  Is the broker making the placement more complicated or less costly?

* Does the broker monitor the financial stability of his markets?
  What is the extent of the broker's market data base?
  Does the broker provide adequate product research services?

* Does the broker set up a plan of action including deadlines for accomplishing tasks connected with the project?
  Are the broker's proposals well organized and do they clearly state his objectives in approaching the markets?
  Is the broker meeting his stated deadlines and effectively managing his tasks?

* Is the broker's staff responsive to client inquiries?
  What kind of rapport can the administrator expect when dealing with the broker's staff?

* Is the broker accountable for possible problems and liabilities connected with the project?
  What kind of E&O coverage does the broker carry?

* What is the broker's track record in retaining his accounts?
  Are the broker's services recommended by other plan administrators?

At USA we invite your product inquiries and we would be glad to discuss these and any other questions you may have. (Call: 201 521-4909)