

# ESCROW FUNDING

Why we put the cart before the horse...

In a conventional cash settlement of a personal injury claim, the steps are clear:

1. The casualty insurer receives a signed Release,
2. The casualty insurer sends the money.

With a structured settlement, however, this order is reversed, because proper structure implementation requires “escrow funding”.

## What is “escrow funding”?

Escrow funding is advance funding of the structured settlement before the final documents are completed, so the broker can:

- a) Shop the market for the highest yield,
- b) Identify the issuing life insurer(s),
- c) Place funds to lock in annuity rates, and;
- d) Provide the guaranteed Final Printout.

The life insurers are identified within the settlement documents and the final structure printout must be attached as a Schedule, before it is signed.

## What if court approval is required?

The requirement of Court approval does not change the need for escrow funding. The Court needs certainty in order to assess the appropriateness of the structured settlement. Funding the structure before seeking Court approval provides this certainty, as the Final Printout will show the exact structure payments the plaintiff is guaranteed to receive, and from which insurer(s).

If the Court wishes to modify the structure in any way, it can. Escrow funding does not interfere with the Court’s discretion to do so.

## How does escrow funding work?

*The steps are as follows:*

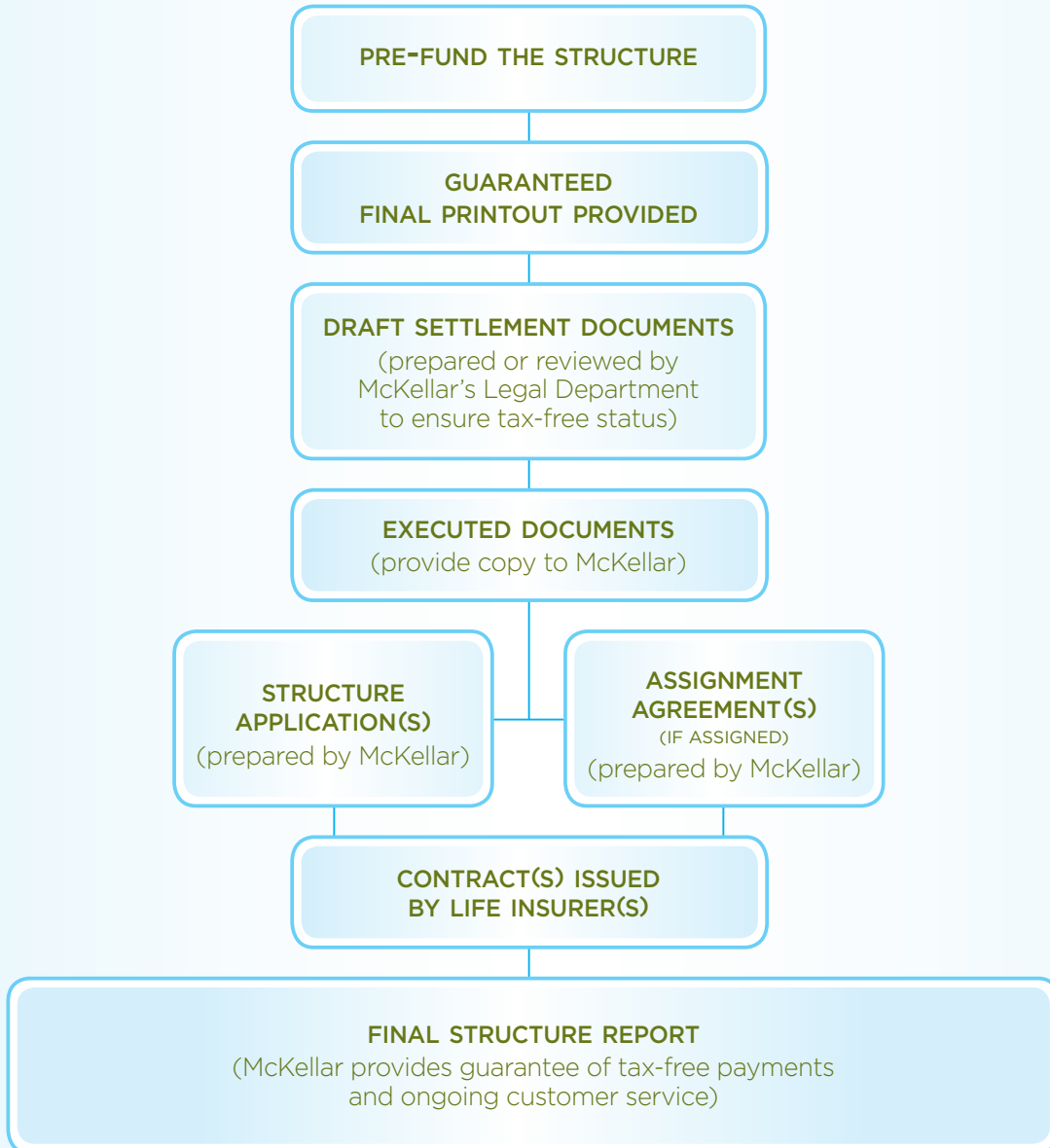
1. The final option and amount are confirmed,
2. The broker requests the structure funds,
3. When funding is received, final brokerage is completed,
4. Funds are placed with the issuing life insurer(s) that offers the highest yield,
5. The Final Printout and name(s) of the issuing life insurer(s) are provided, and then;
6. A structure-compliant Release or Judgment is finalized.

This process brings certainty to all aspects of the structured settlement, and ensures that the settlement documents contain all necessary details to satisfy the requirements of Canada Revenue Agency.

## What if the settlement falls through or Court approval is not obtained?

Even though the structure is funded, no payments are made to the plaintiff and no contract is issued until the Release is signed or the settlement is approved by the Court. If (for any reason) the settlement is not concluded, the life insurer(s) that received the structure funds will return them without penalty or interest.

## HERE'S WHAT THE PROCESS LOOKS LIKE...



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