Structured Settlements Employment Disputes

Liberty Life Assurance Company of Boston (Liberty Life), a Liberty Mutual company, is uniquely positioned to provide an innovative periodic payment solution for settlements related to employment disputes such as wrongful termination, discrimination or harassment.[1]

How it works

Liberty Life, working with BARCO Assignments Ltd. (BARCO), utilizes a non-qualified assignment for all structured employment settlements.[2] This unique process allows the employer/insurer to be fully released from the future periodic payment obligation and provides the claimant with a customized income stream. The periodic payments are funded through the purchase of an annuity from Liberty Life.

Benefits

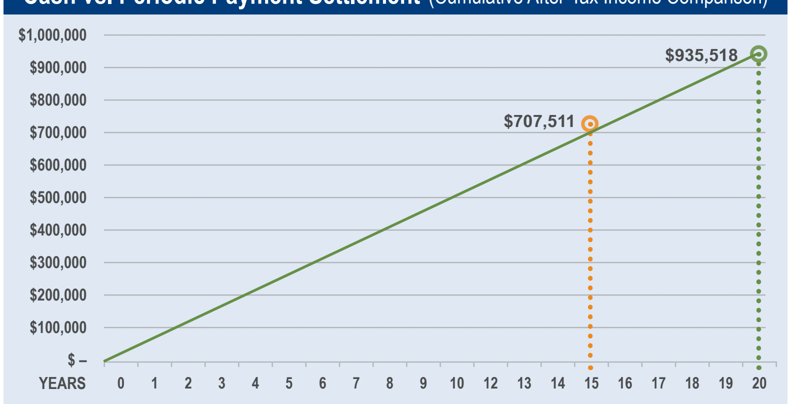
Structured employment dispute settlements may assist both the claimant and insurer in successfully bringing resolution to a claim. Payments can be tailored to provide a fully customized payout. Examples include monthly, annual, immediate, deferred, inflation-adjusted and even lifetime income streams.

Tax advantages

Electing to receive periodic payments provides an opportunity to receive income in a more tax-efficient manner. The potential advantages of deferring taxable income include:

- A greater overall payout than would otherwise be achieved with a single, lump sum settlement
- Avoidance of escalation into higher tax brackets
- Preservation of deductions that may be lost at higher income levels
- Avoidance of the alternative minimum tax (AMT)

Cash vs. Periodic Payment Settlement (Cumulative After-Tax Income Comparison)



The Periodic Payment Advantage

- Periodic Payment Settlement **earns $228K** more in Total After-Tax Income than Cash Settlement
- Cash settlement funds **exhausted after approximately 15 years**
- **Guaranteed ROR** of 6.7% required to achieve same Total After-Tax Payout as Periodic Payment Settlement with 2.8% IRR

Cash Settlement with 3.0% Rate of Return (ROR)

Periodic Payment Settlement with 2.8% internal rate of Return

Assumptions

- Employment Dispute of $1M (net of attorney fees, liens, etc.) to be paid out in level monthly payments starting in one month for a twenty year period certain
- Cash Settlement recipient assumed to be in top federal income tax bracket using 39.6% in the first year then 28.0% every year thereafter; Periodic Payment Settlement recipient assumed to be in 28.0% tax bracket in all years. State and municipal income taxes not included in calculations.
- Periodic Payment Settlement earning 2.8% Internal Rate of Return (IRR) yields $46,776 of after-tax annual income for 20 years
- Cash Settlement earning a 3.0% Rate of Return (ROR) with withdrawals of $46,776 of annual income on an after tax basis is exhausted after approximately 15 years

1 Exclusive of any wage loss reimbursement
2 Please refer to the non-qualified assignment process illustration on the reverse side for more information.

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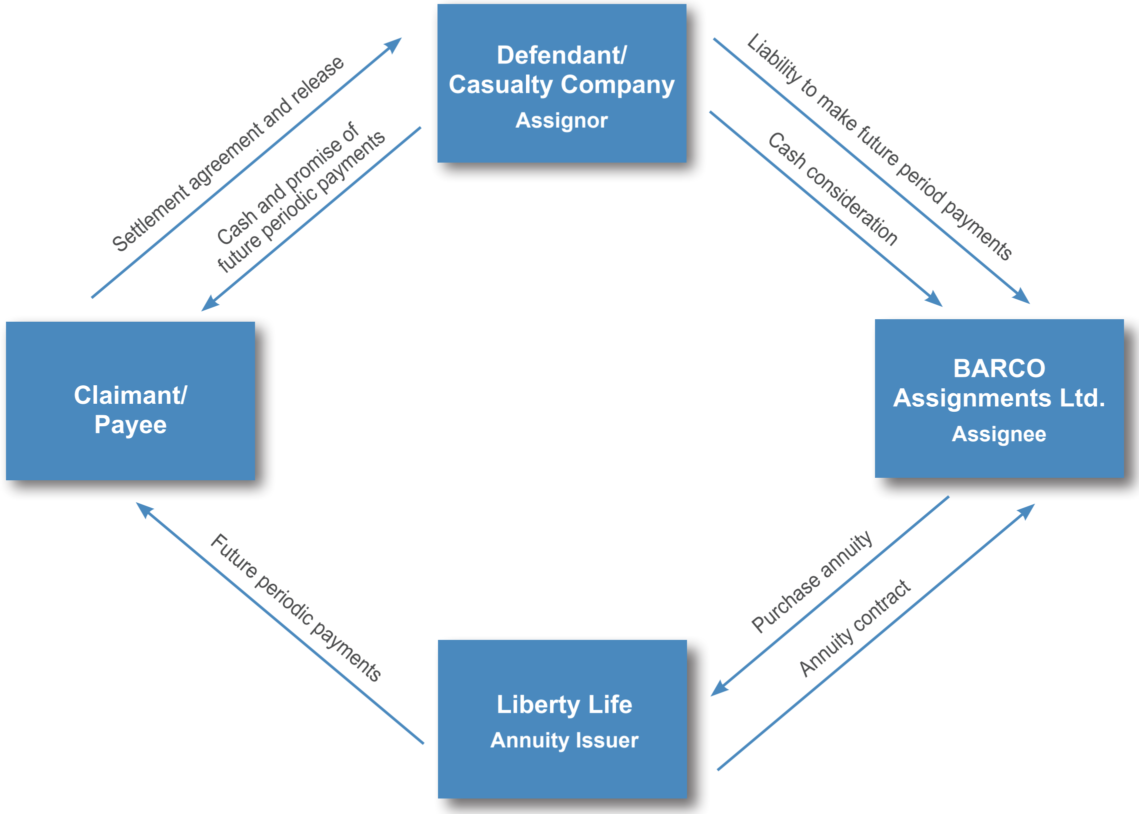
Non-qualified assignment process



- Once all parties have agreed on the periodic payment plan, the defendant or its insurer assigns its obligation to BARCO and is responsible for executing the assignment agreement.
- BARCO funds the payment obligation by purchasing an annuity contract from Liberty Life.
- Liberty Life issues the annuity contract to BARCO, as owner.
- Liberty Life will issue to the payee a Notice of Financial Commitment and will begin making payments according to the terms of the assignment agreement.

Financial commitment

Liberty Life provides a financial commitment to BARCO for each of its non-qualified assignment obligations. Liberty Mutual Insurance Company offers additional security through a guarantee of Liberty Life's payment obligations.[3]

3 Claims-paying obligations are the sole responsibility of the policy issuing insurer. Obligations under a guarantee are the sole responsibility

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Liberty Mutual INSURANCE

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