



Structured Settlement Survey Analysis: Satisfaction with Deferred Payment Streams

During 2008, J.G. Wentworth conducted a survey of structured settlement recipients who sold some or all of their settlement payments. One hundred and fifteen recipients of the survey responded. The survey results were widely disseminated and debated on industry blogs. In this brief we offer interpretations of five of the 20 survey questions which focus on the degree to which consumers are satisfied with their acceptance of a structured settlement versus a single lump sum settlement. Specifically, we address the importance of the following:

Question 5: How many years ago did you settle your original lawsuit?

Question 7: When you settled your original lawsuit, why did you accept payments over time rather than a single lump sum of cash?

Question 8: When you settled your original lawsuit, how well informed were you about structured settlements?

Question 10: How satisfied are you that you accepted a structured settlement?

Question 12: Do you wish you and your attorney had negotiated for a single lump sum settlement?

Question 5: How many years ago did you settle your original lawsuit?

Responses:

- * More than 10 years ago - 70.9%
- * 5 to 10 years ago - 14.5%
- * 1 to 5 years ago - 13.6%
- * Past 12 months - 0.9%

We believe the answers to this question speak to the need for structured settlements as well as the need for liquidity through the secondary market. Specifically, that the majority of structured settlement sales, approximately 71%, occurs 10 or more years after settlement, suggests the overarching goal of providing for future financial security is largely achieved through structured settlements. This assertion rests with



the idea that settlement planners cannot foresee the myriad changes that are likely to occur in the plaintiff's life with absolute certainty.

In addition, the aggregate industry statistics support the assertion that settlement planners offer an unusual degree of prescience in the development of structured settlements. Specifically, there are an estimated \$110 billion of structured settlements now in force. Meanwhile, less than \$6 billion of settlements have been sold in the secondary market, suggesting that about 5% of all structured settlements have been sold. To some degree, this statistic overstates the impact of structured settlement sales since many individuals sell only a portion of their settlement and leave a large portion of it intact.

Question 8: When you settled your original lawsuit, why did you accept payments over time rather than a single lump sum of cash?

Responses:

- * Due to status as a minor, structured settlement considered best option - 38.3%
- * Lump sum was not offered - 23.4%
- * Payments over time seemed like a better deal - 23.4%
- * Not sure I could manage a large amount of cash - 7.4%
- * To pay future medical expenses or special needs - 6.4%
- * Faster way to settle - 1.1%

Respondent answers to this question, as well as known trends in the industry offer some insight into an apparent contraction in the settlement of wrongful death and personal injury cases. Specifically, approximately 38% of respondents expressed some degree of preference for a structured settlement over a lump sum payment. Moreover, a 2006 survey of attorneys by the National Structured Settlement Trade Association found that 95% are proponents of structured settlements. Despite the bias toward structured settlements by plaintiffs and their attorneys, the same survey found that in 61% of instances a lump sum settlement was not offered.



We believe this dichotomy suggests that there may be merit in a more concerted effort to market the value of structured settlement options to the Bar, the judiciary and consumers. Part of the value proposition might include the liquidity options that the secondary market offers consumers.

Question 8: When you settled your original lawsuit, how well informed were you about structured settlements?

Responses:

- * Due to my status as a minor, I was not informed - 30.5%
- * Very well informed - 27.6%
- * Not well informed - 24.8%
- * Well informed but still had questions post-settlement - 17.1%

We believe the responses to these questions make perhaps the strongest case for greater public education and awareness. Specifically, approximately one in four respondents felt well informed about their structured settlement. Nearly a third were not educated simply because they were minors.

The often protracted pace of litigation offers ample opportunity for plaintiffs to become informed about the potential alternatives. Unfortunately, the responses to these questions suggest that is not the case.

Question 10: How satisfied are you that you accepted a structured settlement?

Responses:

- * As a minor, a structured settlement was considered the best option - 25.0%
- * Mostly satisfied - 24.1%
- * Neither satisfied nor dissatisfied - 21.3%
- * Completely satisfied - 18.5%



- * Slightly dissatisfied - 6.5%
- * Completely dissatisfied - 4.6%

We believe the responses to this question add more evidence to the value that structured settlements offer consumers. Specifically, only one in 20 individuals are completely dissatisfied with their decision to accept a structured settlement. This figure may represent the theoretical limit to customer satisfaction, with additional gains unlikely despite any changes to the product or the levels of customer service.

Moreover, nearly two thirds of individuals were neutral to positive about their choice to accept a structured settlement.

Question 12: Do you wish you and your attorney had negotiated for a single lump sum settlement?

Responses:

- * No - 31.5%
- * As a minor, I was unable to negotiate my settlement terms - 27.8%
- * Maybe - 20.4%
- * Yes - 10.2%
- * I don't know - 10.2%

Only 10% of respondents were definitive in their desire for a lump sum settlement. This would appear to be consistent with the prior result in which 4.6% of respondents reported they were completely dissatisfied with their structured settlement. That is, while approximately 10% of respondents wish they had sought a lump sum a, subset of that population, approximately half, were completely dissatisfied.

Similarly, there may be a correlation between the relatively high proportion of individuals expressing satisfaction with their structured settlement (63%) and those who either did not want a lump sum of cash or were uncertain regarding the form of payment.



Conclusions

Based on the responses to the J.G. Wentworth structured settlement survey, consumers appear largely satisfied with the opportunities for liquidity for their structured settlements. Consumers also appear to value the benefits structured settlements offer them. This feeling is shared by the Bar based on a study conducted by an industry trade organization which found that 95% of attorneys favor the use of structured settlements. Despite the favor among consumers and attorneys, structured settlements appear to be an underutilized tool. We believe that a concerted effort to educate consumers would result in greater utilization of structured settlements and realization of the associated benefits.

Company Bio

J.G. Wentworth, Inc., based in Bryn Mawr, PA, is the nation's oldest, largest and most respected buyer of deferred payments for illiquid financial assets like structured settlements, annuities and, through its dedicated subsidiary, life insurance policies. Since 1992, J.G. Wentworth has purchased over \$3 billion of future payment obligations from consumers.