

Title 2A.
Chapter 16.
Article 10. (New)
Structured
Settlements
§§1-7 -
C.2A:16-63
to 2A:16-69
§8 - Note to
§§1-7

P.L. 2001, CHAPTER 139, *approved July 2, 2001*
Assembly Committee Substitute for
Assembly, No. 2146

1 **AN ACT** concerning structured settlements.

2

3 **BE IT ENACTED** by the Senate and General Assembly of the State
4 of New Jersey:

5

6 1. This act shall be known and may be cited as the "Structured
7 Settlement Protection Act."

8

9 2. For the purposes of this act:

10 "Annuity issuer" means an insurer that has issued a contract to
11 fund periodic payments under a structured settlement.

12 "Dependents" includes a payee's spouse and minor children and all
13 other persons for whom the payee is legally obligated to provide
14 support, including alimony.

15 "Discounted present value" means the present value of future
16 payments determined by discounting those payments to the present
17 using the most recently published applicable federal rate for
18 determining the present value of an annuity, as issued by the United
19 States Internal Revenue Service.

20 "Gross advance amount" means the sum payable to the payee or
21 for the payee's account as consideration for a transfer of structured
22 settlement payment rights before any reductions for transfer expenses
23 or other deductions to be made from that consideration.

24 "Independent professional advice" means advice of an attorney,
25 certified public accountant, actuary or other licensed professional
26 adviser.

27 "Interested parties" means, with respect to any structured
28 settlement, the payee, any beneficiary irrevocably designated under the
29 annuity contract to receive payments following the payee's death, the
30 annuity issuer, the structured settlement obligor, and any other party
31 that has continuing rights or obligations under the structured
32 settlement.

33 "Net advance amount" means the gross advance amount less the
34 aggregate amount of the actual and estimated transfer expenses
35 required to be disclosed under subsection e. of section 3 of this act.

36 "Payee" means an individual who is receiving tax free payments

1 under a structured settlement and proposes to make a transfer of
2 payment rights thereunder.

3 "Periodic payments" includes both recurring payments and
4 scheduled future lump sum payments.

5 "Qualified assignment agreement" means an agreement providing
6 for a qualified assignment within the meaning of 26 U.S.C. s.130.

7 "Responsible administrative authority" means, with respect to a
8 structured settlement, any government authority vested by law with
9 exclusive jurisdiction over the settled claim resolved by the structured
10 settlement.

11 "Settled claim" means the original tort claim or workers'
12 compensation claim resolved by a structured settlement.

13 "Structured settlement" means an arrangement for periodic
14 payment of damages for personal injuries or sickness established by
15 settlement or judgment in resolution of a tort claim or for periodic
16 payments in settlement of a workers' compensation claim.

17 "Structured settlement agreement" means the agreement, judgment,
18 stipulation or release embodying the terms of a structured settlement.

19 "Structured settlement obligor" means, with respect to any
20 structured settlement, the party that has the continuing obligation to
21 make periodic payments to the payee under a structured settlement
22 agreement or a qualified assignment agreement.

23 "Structured settlement payment rights" means rights to receive
24 periodic payments under a structured settlement, whether from the
25 structured settlement obligor or the annuity issuer, if:

26 (1) the payee is domiciled in, or the domicile or principal place of
27 business of the structured settlement obligor or the annuity issuer is
28 located in, this State; or

29 (2) the structured settlement agreement was approved by a court
30 or responsible administrative authority in this State; or

31 (3) the structured settlement agreement is expressly governed by
32 the laws of this State.

33 "Terms of the structured settlement" include, with respect to any
34 structured settlement, the terms of the structured settlement
35 agreement, the annuity contract, any qualified assignment agreement
36 and any order or other approval of any court or responsible
37 administrative authority or other government authority that authorized
38 or approved the structured settlement.

39 "Transfer" means any sale, assignment, pledge, hypothecation or
40 other alienation or encumbrance of structured settlement payment
41 rights made by a payee for consideration; except that the term
42 "transfer" does not include the creation or perfection of a security
43 interest in structured settlement payment rights under a blanket
44 security agreement entered into with an insured depository institution,
45 in the absence of any action to redirect the structured settlement
46 payments to the insured depository institution, or an agent or

1 successor in interest thereof, or otherwise to enforce the blanket
2 security interest against the structured settlement payment rights.

3 "Transfer agreement" means the agreement providing for a transfer
4 of structured settlement payment rights.

5 "Transfer expenses" means all expenses of a transfer that are
6 required under the transfer agreement to be paid by the payee or
7 deducted from the gross advance amount, including, without
8 limitation, court filing fees, attorneys' fees, escrow fees, lien
9 recordation fees, judgment and lien search fees, finders' fees,
10 commissions, and other payments to a broker or other intermediary;
11 "transfer expenses" does not include preexisting obligations of the
12 payee payable for the payee's account from the proceeds of a transfer.

13 "Transferee" means a party acquiring or proposing to acquire
14 structured settlement payment rights through a transfer.

15

16 3. Not less than three days prior to the date on which a payee
17 signs a transfer agreement, the transferee shall provide to the payee a
18 separate disclosure statement, in bold type no smaller than 14 points,
19 setting forth:

20 a. the amounts and due dates of the structured settlement
21 payments to be transferred;

22 b. the aggregate amount of the payments;

23 c. the discounted present value of the payments to be transferred,
24 which shall be identified as the "calculation of current value of the
25 transferred structured settlement payments under federal standards for
26 valuing annuities" and the amount of the applicable federal rate used
27 in calculating the discounted present value;

28 d. the gross advance amount;

29 e. an itemized listing of all applicable transfer expenses, other than
30 attorneys' fees and related disbursements payable in connection with
31 the transferee's application for approval of the transfer, and the
32 transferee's best estimate of the amount of any of those fees and
33 disbursements;

34 f. the net advance amount;

35 g. the amount of any penalties or liquidated damages payable by
36 the payee in the event of any breach of the transfer agreement by the
37 payee; and

38 h. a statement that the payee has the right to cancel the transfer
39 agreement, without penalty or further obligation, not later than the
40 third business day after the date the agreement is signed by the payee.

41

42 4. No direct or indirect transfer of structured settlement payment
43 rights shall be effective and no structured settlement obligor or annuity
44 issuer shall be required to make any payment directly or indirectly to
45 any transferee of structured settlement payment rights unless the
46 transfer has been approved in advance in a final court order or order

1 of a responsible administrative authority based on express findings by
2 the court or responsible administrative authority that:

3 a. the transfer is in the best interest of the payee, taking into
4 account the welfare and support of the payee's dependents;

5 b. the payee has been advised in writing by the transferee to seek
6 independent professional advice regarding the transfer and has either
7 received the advice or knowingly waived the right to seek that advice
8 in writing; and

9 c. the transfer does not contravene any applicable statute or the
10 order of any court or other government authority.

11

12 5. Following a transfer of structured settlement payment rights
13 under this act:

14 a. The structured settlement obligor and the annuity issuer shall,
15 as to all parties except the transferee, be discharged and released from
16 any and all liability for the transferred payments;

17 b. The transferee shall be liable to the structured settlement
18 obligor and the annuity issuer:

19 (1) if the transfer contravenes the terms of the structured
20 settlement, for any taxes incurred by those parties as a consequence of
21 the transfer; and

22 (2) for any other liabilities or costs, including reasonable costs and
23 attorneys' fees, arising from compliance by those parties with the order
24 of the court or responsible administrative authority or arising as a
25 consequence of the transferee's failure to comply with this act;

26 c. Neither the annuity issuer nor the structured settlement obligor
27 shall be required to divide any periodic payment between the payee
28 and any transferee or assignee or between two or more transferees or
29 assignees; and

30 d. Any further transfer of structured settlement payment rights by
31 the payee shall be made in compliance with all of the requirements of
32 this act.

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34 6. a. An application under this act to a court or responsible
35 administrative authority for approval of a transfer of structured
36 settlement payment rights shall be made by the transferee and may be
37 brought in the jurisdiction in which the payee resides, in the
38 jurisdiction in which the structured settlement obligor or the annuity
39 issuer maintains its principal place of business, or in any court or
40 before any responsible administrative authority which approved the
41 structured settlement agreement.

42 b. Not less than 20 days prior to the scheduled hearing on any
43 application for approval of a transfer of structured settlement payment
44 rights under section 4 of this act, the transferee shall file with the court
45 or responsible administrative authority and serve on all interested
46 parties a notice of the proposed transfer and the application for its

- 1 authorization, including with the notice:
- 2 (1) a copy of the transferee's application;
- 3 (2) a copy of the transfer agreement;
- 4 (3) a copy of the disclosure statement required under section 3 of
- 5 this act;
- 6 (4) a listing of each of the payee's dependents, together with each
- 7 dependent's age;
- 8 (5) notification that any interested party is entitled to support,
- 9 oppose or otherwise respond to the transferee's application, either in
- 10 person or by counsel, by submitting written comments to the court or
- 11 responsible administrative authority or by participating in the hearing;
- 12 and
- 13 (6) notification of the time and place of the hearing and
- 14 notification of the manner in which, and the time by which, written
- 15 responses to the application shall be filed, which shall be not less than
- 16 15 days after service of the transferee's notice, in order to be
- 17 considered by the court or responsible administrative authority.
- 18
- 19 7. a. The provisions of this act shall not be waived by any payee.
- 20 b. Any transfer agreement entered into on or after the effective
- 21 date of this act by a payee who resides in this State shall provide that
- 22 disputes under the transfer agreement, including any claim that the
- 23 payee has breached the agreement, shall be determined in and under
- 24 the laws of this State. No transfer agreement shall authorize the
- 25 transferee or any other party to confess judgment or consent to entry
- 26 of judgment against the payee.
- 27 c. No transfer of structured settlement payment rights shall extend
- 28 to any payments that are life-contingent unless, prior to the date on
- 29 which the payee signs the transfer agreement, the transferee has
- 30 established and has agreed to maintain procedures reasonably
- 31 satisfactory to the annuity issuer and the structured settlement obligor
- 32 for: (1) periodically confirming the payee's survival; and (2) giving the
- 33 annuity issuer and the structured settlement obligor prompt written
- 34 notice in the event of the payee's death.
- 35 d. No payee who proposes to make a transfer of structured
- 36 settlement payment rights shall incur any penalty, forfeit any
- 37 application fee or other payment, or otherwise incur any liability to the
- 38 proposed transferee or any assignee based on any failure of the
- 39 transfer to satisfy the conditions of this act.
- 40 e. Nothing contained in this act shall be construed to authorize any
- 41 transfer of structured settlement payment rights in contravention of
- 42 any law or to imply that any transfer under a transfer agreement
- 43 entered into prior to the effective date of this act is valid or invalid.
- 44 f. Compliance with the requirements set forth in section 3 of this
- 45 act and fulfillment of the conditions set forth in section 4 of this act
- 46 shall be solely the responsibility of the transferee in any transfer of

1 structured settlement payment rights, and neither the structured
2 settlement obligor nor the annuity issuer shall bear any responsibility
3 for, or any liability arising from, non-compliance with those
4 requirements or failure to fulfill those conditions.

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6 8. This act shall take effect on the 30th day following enactment
7 and shall apply to any transfer of structured settlement payment rights
8 under a transfer agreement entered into on or after the effective date
9 of this act; provided, however, that nothing contained herein shall
10 imply that any transfer under a transfer agreement reached prior to that
11 date is either effective or ineffective.

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16 "Structured Settlement Protection Act."