



Non-Qualified Assignment (NQA) Case Study: Employment Litigation

Metropolitan Tower Life Insurance Co.

Case Study 1: Employment Litigation

Situation

Sarah, a former employee of ABC Power Cooling, Inc., was wrongfully terminated after she reported unethical activity involving her senior colleagues. Sarah and her legal team file a complaint against ABC Power Cooling, Inc.

Settlement

As part of the wrongful termination settlement, Sarah will be awarded a large sum of money.

Solution

After consulting with her structured settlement broker and tax advisor, Sarah and ABC Power Cooling, Inc. agree to settle for periodic payments. This helps Sarah manage her transition and spread her tax liability over the duration of her annuity.

Why NQA?

Outsource liability management with a trusted carrier: By utilizing our NQA, ABC Power Cooling, Inc. may be able to avoid a trial and its associated costs while transferring the periodic payment obligation to a company with strong financial quality ratings.

Manage cash flows and tax impact for claimant: If managed properly, a sizable settlement is incredibly helpful as a claimant transitions. With an NQA annuity, Sarah can rely on her guaranteed¹ settlement income while deferring the tax² impact.



Non-Qualified Assignment (NQA) Case Study: Punitive Damages

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Case Study 2: Punitive Damages

Situation

While at an amusement park with his family, Joe is seriously injured on one of the park's thrill rides. After the incident, investigators discovered that the ride had failed several recent inspections and should have been closed.

Settlement

The settlement award included compensatory damages for Joe's physical injuries and punitive damages due to the park's gross negligence.

Solution

After consulting with his structured settlement broker and tax advisor, Joe chooses to receive the physical injury, tax-free monies in cash today, but agrees to structure the taxable punitive damages. By agreeing to structure the award, he guarantees his payments and spreads his tax liability over the duration of the annuity.^{1,2}

Why NQA?

Tax efficiency and guaranteed payments for the claimant: Managing a large settlement for Joe's ongoing care is a significant task for his family. Agreeing to assign the proceeds to a trusted carrier like us ensures that the family will be able to guarantee funds to provide for his long-term care.

Secure liability management for defendants: In accidents as tragic as Joe's, it is important for the amusement park to manage its reputation fairly and with strong guarantees. By entering into an NQA, the settlement will be managed by a highly rated and financially secure U.S. based company.



Non-Qualified Assignment (NQA) Case Study: Construction Defect

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Case Study 3: Construction Defect

Situation

A construction company is facing legal action after a faulty foundation is discovered at one of its residential developments. As a result, homeowners in the development must pay for substantial construction repairs.

Settlement

Local homeowners file a Class Action Lawsuit against the construction company. A Qualified Settlement Fund (QSF) is established to distribute settlement funds.

Solution

While the homeowners received their settlements in immediate cash, the homeowners' plaintiff attorney wanted to spread his attorney fees over several years. To structure the attorney's fees, the QSF Administrator entered into an NQA agreement with the attorney.

Why NQA?

Consistent cash flow with a trusted, highly rated carrier: Winning a settlement can make a difference in an attorney's life and business. The NQA allows the homeowner's attorney to defer his taxes and provides guaranteed cash flow for his law firm.



Non-Qualified Assignment (NQA) Case Study: Breach of Contract

Metropolitan Tower Life Insurance Co.

Case Study 4: Breach of Contract

Situation

Harry's four-year contract with a city government agency has been terminated following a conflict of interest. The terms of Harry's employment agreement states, "should the associate be terminated, the employee will receive a 6-month salary plus a one-year step-up in his/her retirement benefits." Recently, the city government agency learned that its insurer, ABC Insurance, could not legally honor the step-up in Harry's benefits as expected.

Settlement

The city government agency and Harry agree to settle for \$750,000 to compensate for ABC Insurance's inability to execute the one-year step-up in retirement benefits.

Solution

The settlement amount is used to fund a Non-Qualified Assignment that will provide Harry with 20 years of periodic payments.

Why NQA?

Guaranteed payments¹ for the claimant: By agreeing to assign his settlement proceeds to a trusted carrier like us, Harry can be assured that his benefits are consistent and guaranteed. The NQA will also protect his funds from the volatility of the market.

Tax efficiency² If Harry elected to receive the \$750,000 settlement proceeds in a lump sum, his associated federal tax liability would be about \$206,612.3 State taxes aren't imposed because Harry is a resident of Florida. However, because Harry proceeded with a NQA, he's guaranteed to receive about \$47,470 annually for 20 years. The associated annual federal tax liability is estimated to be \$2,381 resulting in a total of about \$47,620 over the 20-year period.³ This results in a tax savings of almost \$159,000 when compared to the lump sum option.

The NQA also secures liability management for the defendant. The city government agency has a strong reputation for acting in their employees' best interest. By using our NQA, the settlement will be managed by a financially secure U.S.-based company and the employee's transition to retirement will be resolved smoothly.



Non-Qualified Assignment (NQA) Case Study: Attorney Fees

Metropolitan Tower Life Insurance Co.

Case Study 5: Attorney Fees

Situation

Joanne is in her last year at Mulberry Performing Arts School, along with 200 other seniors. Recently, the school removed Photography from its course listing without explanation or fair notice to its students. In protest, the students collectively file a legal complaint to get the Photography course reinstated.

Settlement

After attending weeks of litigation proceedings, Mulberry Performing Arts School and the students reach an agreement: the Photography program will be reinstated into the course listing, effective immediately.

Solution

Though the students' win did not involve a monetary award, their associated attorney's fees were significant. As part of their settlement terms, Mulberry was ordered to cover the plaintiffs' attorney's fees. Plaintiff counsel, wanting to salvage as much of his fees as possible, reaches out to his Structured Settlement Broker to learn more about our NQA. In the end, the plaintiffs and the attorney agree to structure the contingency fees under the settlement agreement.

Why NQA?

Consistent cash flow from a trusted, highly rated carrier: Winning a large settlement can make a difference in an attorney's life and business. By using Met Tower Life's NQA, the student's attorney can defer taxes¹ and provide guaranteed cashflow² for his firm. This is especially important in unpredictable financial markets.



Non-Qualified Assignment (NQA) Case Study: Contract Dispute

Metropolitan Tower Life Insurance Co.

Case Study 6: Contract Dispute

Situation

John, a city bus driver, fails to fully stop at an intersection and collides with another vehicle. The collision was minor, however, there were 20 passengers who incurred minor injuries. Seven of the injured passengers are represented by Attorney Heather Towne; the remaining 13 are represented by Attorney Richard Wright.

During the mediation, Wright disputes the initial plan of a 50/50 allocation split for their attorney fees. Further, both attorneys differ on how they prefer their individual fees be disbursed: Attorney Wright wants to structure his fees, while Attorney Towne has decided that a lump sum will best suit her needs.

Settlement

There is a two-part settlement.

1. Injury Settlement

The bus company and the 20 claimants agree to settle for \$200,000. To resolve its own suit with the injured passengers and the allocation dispute amongst the attorneys, the bus company issues the total \$200,000 to Attorney Towne who will be responsible for distributing the funds to each claimant. All claimants opt to receive their settlement awards in cash.

2. Attorney Contract Dispute

Then, the attorneys settle their own dispute by executing a separate settlement agreement with Attorney Towne now acting as the defendant and Attorney Wright, the claimant.

Solution

Both attorneys ultimately agree on the 65/35 allocation split of attorney fees. Towne takes her portion of the fees in upfront cash. Afterwards, Towne uses the remaining settlement proceeds that were originally allocated to Wright for his portion of the fees to fund an NQA that will issue annual payments to Wright over the next ten years.

Why NQA?

Consistent cash flow with a trusted, highly rated carrier: Winning a settlement can make a difference in an attorney's life and business. By agreeing with Towne to purchase an NQA annuity through Met Tower Life, Wright will receive a steady stream of income immune to market volatility. This will help support his business for years beyond the settlement.



For more information, visit www.metlife.com/nqa or call our Sales Team at 800.638.0051 ext. 2.

1. All guarantees are subject to the financial strength and claims-paying ability of Metropolitan Tower Life Insurance Company.
2. Neither Met Tower Life nor its affiliates offer tax or legal advice. Any discussion of taxes in this material is intended to be general in nature and based on our understanding of the tax laws as they currently apply. Tax laws are subject to change and to different interpretation. You should consult your own tax advisor to determine how the tax law applies to your situation.
3. Tax computations assume: Harry's filing status is married filing joint; the applicable standard deduction is \$24,400; settlement income is tax reported on IRS Form 1099-R and thus is not W-2 income; no additional income; and 2019 federal individual income tax rates apply for the life of the arrangement. This example is hypothetical in nature and actual results will vary.

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