

Non-qualified assignments

Liberty Life Assurance Company of Boston (Liberty Life), a Liberty Mutual company, works with BARCO Assignments Ltd. (BARCO) to provide innovative tax-deferred solutions for a variety of settlements.

Liberty Life and BARCO

In 1999, BARCO became the first non-qualified assignment company to help claimants and their attorneys settle cases that do not qualify under IRC Section 130 and to spread tax obligations throughout future years. Today, Liberty Life through its exclusive partnership with BARCO is the leading provider of non-qualified settlement annuities.

What is a non-qualified assignment?

A Non-Qualified Assignment involves the transfer of a future periodic payment obligation from the defendant or its insurance carrier(s) to a third-party non-qualified assignee. This type of assignment is particularly beneficial for settlements that do not qualify for an IRC Section 130 assignment. When the assignee accepts the assignment and assumes the future payment obligation, the defendant (and carrier if applicable) are fully released from the future periodic payment obligation.

Tax advantages

Electing to receive periodic payments prior to settlement 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 payment
- Avoidance of higher tax brackets
- Preservation of deductions that may be lost at higher income levels
- Avoidance of the alternative minimum tax (AMT)

Flexibility

Periodic payments are flexible and can be designed to provide:

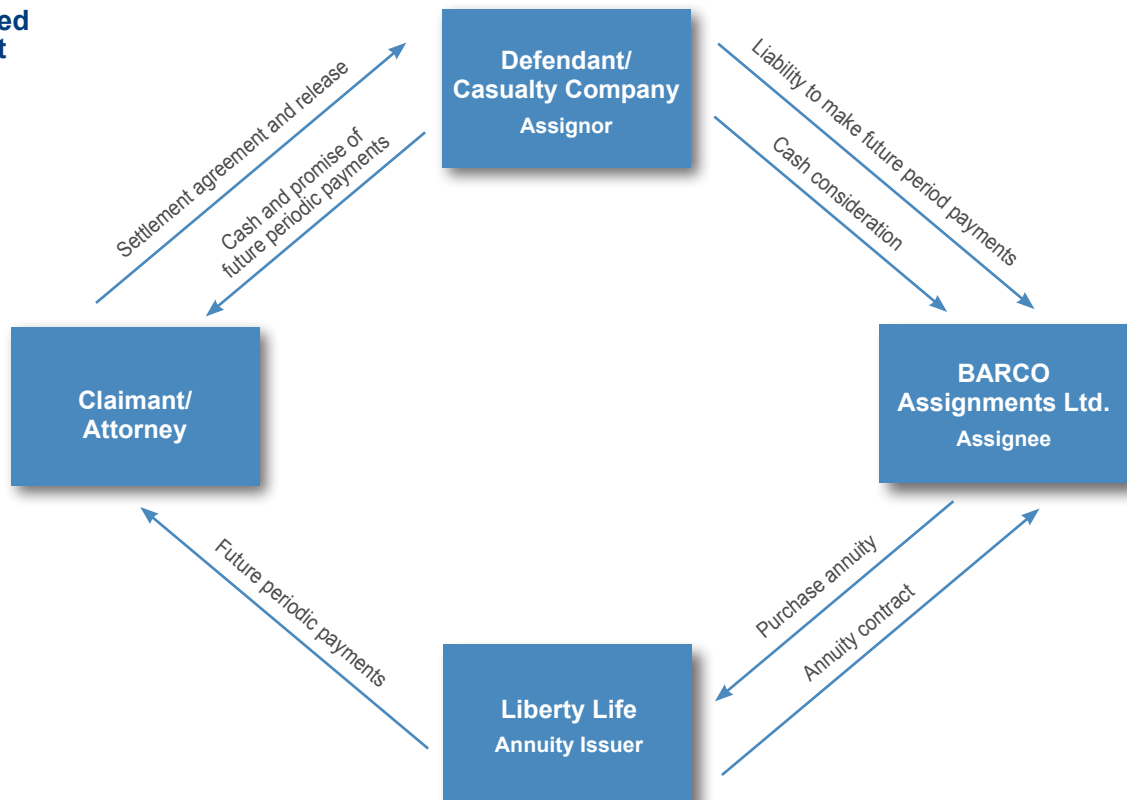
- Guaranteed, lump sum, lifetime payments
- Weekly, monthly, annual payments
- Immediate, deferred payments
- A cost of living adjustment (COLA) to offset the impact of inflation

Case types

Cases eligible for a non-qualified assignment include:

- Pre-August 6, 1997 workers' compensation¹
- Attorney fees (including stand-alone)²
- Employment disputes³
- Environmental claims
- Discrimination³
- Breach of contract
- Construction defects
- Property damages
- Long Term Disability
- Sexual harassment
- Punitive damages
- Breach of confidentiality
- Psychological/emotional damage
- Fraud
- Other types of claims

Non-qualified assignment process



- Once all parties have agreed on the periodic payment plan, the obligor 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 Assurance Company of Boston provides a financial commitment to BARCO for each of its non-qualified assignment obligations. Liberty Life Assurance Company of Boston's financial strength backs all of its obligations to pay claims under the policies it issues. In addition, Liberty Life Assurance Company of Boston's ability to pay those claims is backed by a written guarantee from Liberty Mutual Insurance Company.

1 Worker's compensation benefits are tax-free under IRC Sec. 104.
 2 Excluding attorney fee structures from taxable damage settlements.
 3 Exclusive of any lost wage reimbursement.