Glossary

Annuity: An annuity is a series of periodic payments, either monthly, quarterly, semi-annually, or annually, made by a life insurance company. These payments can continue for a person's lifetime or for a specified period of times.

Deferred Annuity: An annuity that starts at a specified future date. The annuity is purchased through a life insurer and held until the payment start date. This is an excellent way to plan for future needs.

Immediate Annuity: An annuity that begins making payments within the first year of being purchased with the life insurer.

Single Life Annuity: An annuity that pays for the lifetime of the person, or measuring life. Payments will continue as long as this person is living. This is often placed with a guarantee period, in which payments will continue to a beneficiary in the event the individual dies.

Term Certain Annuity: An annuity that pays for a specified period of time, whither the measuring life is living or not. This can also include a certain added guarantee.

Measuring Life: In the case of life annuities, the measuring life is the person or persons upon whose date(s) of birth payments are based.

Life Company: The life company is also referred to as the Life insurer. The life company sells Life insurance products that include annuities and structured settlements. They are rated

Impairment Rating: This is a means of determining whether a person who has been injured with have an adjusted life expectancy. This will help to increase the income on a life annuity or lower capital for specified periods.

Lump Sum Payments: A lump sum payment is a single payment made on a specified date. These can be combined with a periodic payment plan to help provide larger sums of money at certain times to account for extra expenses Ex. University Tuition.

Guarantee Period: A guarantee period is combined with a life annuity. It will provide a time period during which payment will be made whether the measuring life is living or not. These payments will be paid to a beneficiary or the estate.

Payee: The payee is the individual who payments from the structured settlement are irrevocably made to.

Secondary Payee: Is also known as the beneficiary. In the event that the payee is no longer living, any further guaranteed payments will be made to the secondary payee.

Assignment: Assignment occurs when the defendant or casualty insurer who is providing the settlement funds cannot or will not own the structure due to the liability. When this happens, a new owner is assigned to own the structure therefore releasing the casualty insurer from ongoing liability.

Owner: The owner is the party who is assuming liability for the annuity payments. This will either be the casualty insurer or an assigned owner.

Beneficiary: In the event the measuring life, or payee, is no longer living, the beneficiary will receive any of the remaining guaranteed payments.

Indexation: Indexation is when payments have been indexed, meaning that payments will increase at either a specified rate, or a rate that is tied to a certain indexation rate. A commonly used indexation rate is the Consumer Price Index. This helps to provide support against increasing costs.

Incontestable: A structured settlement cannot be disputed.

Non-Assignable: A structured settlement cannot be assigned as collateral at any time.

Irrevocably: A structured settlement is not revocable. It cannot be cancelled at any time by any party involved.

Non-commutable: Canada Revenue Agency requires that a structured settlement cannot be changed or cashed in.

Non-transferable: Canada Revenue Agency requires that a structured settlement cannot be transferred to another individual.

Casualty Company: The Casualty Company, also known as the casualty insurer, is the party responsible to cover the cost of the settlement.

Release: A release is a legal document signed by all parties involved releasing the money and agreeing to the terms and conditions of the structure. No payments can be made until the release has been signed.

Judgment: A judgment is obtained in cases where a court has ordered the settlement funds to be placed in a structure. No payments can be made until the judgment as been signed.

Reversionary: Reversionary is a feature that can be added to life annuity. In the event the measuring life is no longer living, payments will be directed to the Casualty company.

CPI (Consumer Price Indexation): Is calculated by Statistics Canada tracking the change in price each year on various services and products that form an average representing the shift in cost of living expenses. Payments can be linked to the CPI, ensuring that payments will increase as the cost of living increases.

Level: Level payments mean that a payment will remain the same for the entire payment period.

Compound Interest: A process whereby the value of a payment increases exponentially over time based on a set interest rate.

Tax Ruling: A Tax Ruling allows a structured settlement to be tax free.