

Congress of the United States

House of Representatives

COMMITTEE ON OVERSIGHT AND GOVERNMENT REFORM

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November 2, 2015

Mr. John M. Bulbrook
Chief Executive Officer
Bulbrook/Drislane Brokerage
57 River St. Suite 200
Wellesley, MA 02481-2056

Dear Mr. Bulbrook:

I am writing to request that you provide responses to questions regarding your company's sale of structured settlements. Specifically, I request information relating to the manner in which secondary and tertiary markets for structured settlement payment streams function and the roles played by your company and others that buy and re-sell structured settlement payments.

On August 26, 2015, the *Washington Post* ran a front-page article describing transactions between a Maryland-based factoring company and Baltimore City residents who received settlements from lead-paint litigation in the form of future payment streams. The article also described several individuals whose structured settlement payments were bought by a factoring company for pennies on the dollar.¹

Your company advertises that it sells "Inforce Annuities," including structured settlement payment streams, to third-party investors. Your website states that these "secondary market annuities" are "a product with guaranteed rates of 4-7 percent to the purchaser."² Your website also states:

If you purchase after the court transfer date has passed or in other cases where Bulbrook/Drislane deems it appropriate, the apportioned payments may be paid to you through a third party servicing company.³

¹ *How Companies Make Millions Off Lead-Poisoned, Poor Blacks*, Washington Post (Aug. 26, 2015) (online at www.washingtonpost.com/local/social-issues/how-companies-make-millions-off-lead-poisoned-poor-blacks/2015/08/25/7460c1de-0d8c-11e5-9726-49d6fa26a8c6_story.html).

² *Inforce Annuities*, Bulbrook Drislane (online at www.bulbrookdrislane.com/annuities/inforce-annuities/).

³ *Ready To Know How In-Force™ Fixed Term Annuity Payments Are Made?*, Bulbrook

In light of these statements, I request that you answer the following questions and provide the information requested below:

- (a) The term “annuity” is defined by the Maryland Code, Insurance, § 1-101. Do the “Inforce Annuities” offered for sale by your company conform to the definition of “annuity” under the Maryland Code, and is your company’s sale of the “Inforce Annuities” regulated by the Maryland Insurance Administration? Does any state or jurisdiction consider “Inforce Annuities” to be annuities regulated under insurance laws?
- (b) Is an “Inforce Annuity” subject to regulation under any state or federal securities laws? If the “Inforce Annuities” offered for sale by your company are not regulated as annuities or securities, what specific state and federal laws regulate the sale of an “Inforce Annuity” that is a structured settlement payment stream?
- (c) How do whole “Inforce Annuities” differ from those with apportioned payments “paid ... through a third party servicing company”?
- (d) What guarantees from what sources attach to the “Inforce Annuities” that are structured settlement payment streams offered for sale by your company? What guarantees from what sources attach to the “Inforce Annuities” which “may be paid ... through a third party servicing company”?
- (e) How are the “Inforce Annuities” sold by your firm taxed after they are purchased by investors?
- (f) What specific risks does your company disclose to individuals or corporations that purchase structured settlement payment streams through your firm? Which of these disclosures is required by state or federal law?
- (g) How does your company find the “Inforce Annuity” payment streams listed for sale on its website? Has your firm ever paid any incentive of any kind (whether monetary or in-kind) to any entity that has identified to Bulbrook any structured settlement payment stream offered for sale by Bulbrook?
- (h) What are the specific commissions and fees your company charges to purchasers of “Inforce Annuities”? How much revenue did your company make in 2014 from commissions, fees, and spread from its sale of “Inforce Annuities”?
- (i) Are individuals who seek to purchase “Inforce Annuities” required to hire your company to provide any type of financial advice before they can purchase an “Inforce Annuity” offered for sale by your company?

- (j) Does your company pay any finders-fee related to the identification of individuals who seek to purchase "Inforce Annuities"?
- (k) What research does your company do to ensure third-parties have the legal right to purchase the payment streams offered for sale by your company? Has the proposed sale to a third party of any of the "Inforce Annuity" offered for sale by your company ever been rejected by any court in the United States?
- (l) Please provide copies of all documentation your company provides to entities that purchase whole "Inforce Annuities" or partial "Inforce Annuities."
- (m) Please provide copies of all contractual documents "Inforce Annuity" purchasers are required to sign at the time of purchase.
- (n) Please provide a list of all "third party servicing companies" that have serviced any part of any "Inforce Annuity" sold by your company.
- (o) Please provide a list of all "Inforce Annuity" payment streams originally owned by Maryland residents that have been offered for sale by your company in each of the last three years, separated by type of payment stream (i.e. factored structured settlement, life settlement, lottery winnings, etc.). For each such payment stream, please identify the face value of the stream, the price at which your company purchased the payment stream, the price at which your company sold the payment stream to a third party, and the profit your company made from the sale of the payment stream.

Please respond to the questions above by November 16, 2015. If you have any questions about this request, please contact Todd Phillips at (202) 225-4741. Thank you for your cooperation with this matter.

Sincerely,



Elijah E. Cummings
Ranking Member

cc: The Honorable Jason Chaffetz, Chairman