

Congress of the United States

House of Representatives

COMMITTEE ON OVERSIGHT AND GOVERNMENT REFORM

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November 2, 2015

Mr. Thomas Burgess Hamlin
Chief Executive Officer
Somerset Wealth Strategies, LLC
4600 S.W. Kelly Ave
Portland, OR 97239

Dear Mr. Hamlin:

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 "secondary market annuities," including structured settlement payment streams, to third-party investors. Your website claims: "The payment of these annuities are safe and dependable."² Your website also states that purchasing secondary market annuities assists in "easing your tax burden."³ Finally, a 2013 "buyers guide," until recently found on your website, states that purchasing secondary market annuities will "allow money to double or triple over time, guaranteed."⁴

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 *Secondary Market Annuities—How They Work*, Somerset Wealth Strategies (online at www.secondarymarketannuities.com/structured-settlements/work/).

³ *Secondary Market Annuities—Investment Performance You Can Bank On*, Somerset Wealth Strategies (online at www.secondarymarketannuities.com/home/).

⁴ *Secondary Market Annuities—The New Buyer's Guide*, Somerset Wealth Strategies (online at www.secondarymarketannuities.com/wp-content/uploads/2013/08/SMAguide.pdf),

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 “secondary market 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 “secondary market annuities” regulated by the Maryland Insurance Administration? Does any state or jurisdiction consider “secondary market annuities” to be annuities regulated under insurance laws?
- (b) Is a “secondary market annuity” subject to regulation under any state or federal securities laws? If the “secondary market annuities” offered for sale by your company are not regulated as annuities or securities, what specific state and federal laws regulate the sale of a “secondary market annuity” that is a structured settlement payment stream?
- (c) What guarantees from what sources attach to the “secondary market annuities” that are structured settlement payment streams offered for sale by your company?
- (d) How are the “secondary market annuities” sold by your firm taxed after they are purchased by investors?
- (e) 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?
- (f) How does your company find the “secondary market 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 Somerset any structured settlement payment stream offered for sale by Somerset?
- (g) What are the specific commissions and fees your company charges to purchasers of “secondary market annuities”? How much revenue did your company make in 2014 from commissions, fees, and spread from its sale of “secondary market annuities”?
- (h) Are individuals who seek to purchase “secondary market annuities” required to hire your company to provide any type of financial advice before they can purchase a “secondary market annuity” offered for sale by your company?
- (i) Does your company pay any finders-fee related to the identification of individuals who seek to purchase “secondary market annuities”?
- (j) 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 "secondary market annuity" offered for sale by your company ever been rejected by any court in the United States?

- (k) Please provide a list of all "third party servicing companies" that have serviced any part of any "secondary market annuities" sold by your company.
- (l) Please provide copies of all documentation your company will provide or has provided to the entity that purchases or purchased the life-contingent Genworth-issued payment stream with the start date of June 17, 2020 offered for sale on your website as of October 22, 2015.
- (m) Please provide copies of all contractual documents the purchaser of the life-contingent Genworth-issued payment stream offered for sale on your website will be required to sign at the time of purchase. Please also indicate the total revenue that your company will make from the sale of this payment stream, broken out by commission, fees, and spread.
- (n) Please provide a list of all "secondary market 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