

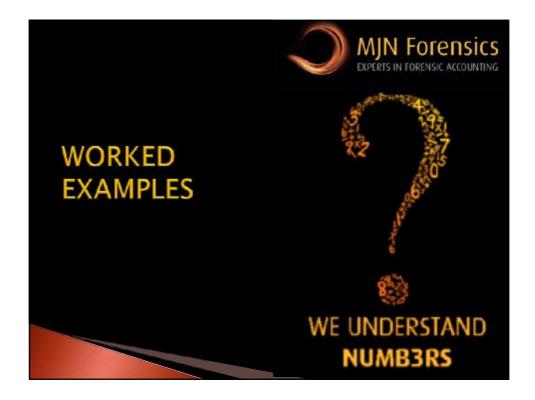
INTRODUCTION

The previous revision of the discount rate took place on 25 June 2001, when a discount rate of 2.5% per annum was advised to reflect the change in the average redemption yields on Index-Linked Government Stock (ILGS) at that time.

INTRODUCTION

An important factor in determining multipliers is the net rate of return (discount rate) the Claimant might expect to receive from a reasonably prudent investment of the lump sum compensation.

INTRODUCTION The current discount rate of -0.75 has been effective since 20 March 2017.



BACKGROUND FOR EXAMPLES

Accident date 1 July 2017 Date of trial 1 July 2020

Age at date of trial 40 Retiring at age 60

Annual loss of earnings £20,000

PAST LOSS OF EARNINGS

Past loss of earnings

Annual loss 20,000

Period - 3 YEARS

Total past loss 60,000

FUTURE LOSS OF	EARNING	GS	
Annual loss	20,000	Annual loss	20,000
Multiplier 2.5%	15.44	Multiplier75%	21.05
Total Loss	<u>308,800</u>	Total Loss	<u>421,000</u>
Table 7			

DIFFERENCE At 2.5% 368,800 At -0.75% 481,000 Difference 112,200

CAN THE LOSSES BE REDUCED?

Longer past loss period - trial is 1 July 2025

Age at date of trial: 45

PAST LOSS OF EARNINGS

Past loss of earnings

Annual loss 20,000

Period - 8 YEARS

Total past loss 160,000

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Annual loss 20,000 Annual loss 20,000

Multiplier 2.5% 12.26 Multiplier -.75% 15.49

Total Loss <u>245,200</u> Total Loss <u>309,800</u>

TOTAL LOSS OF EARNINGS

At 2.5% At -.75%

Past loss 160,000 Past loss 160,000

Future loss 245,200 Future loss 309,800

Total loss <u>405,200</u> Total loss <u>469,800</u>

TOTAL LOSS OF EARNINGS						
At 2.5%		At75%				
Trial age 40	<u>368,800</u>	Trial at age 40	<u>481,000</u>			
Trial age 45	405,200	Trial age 45	<u>469,800</u>			
Increase	<u>36,400</u>	Decrease	11,200			

RETIREMENT AGE				
Age at trial Retirement age	40 50	40 60	40 70	40 75
Loss of earnings	10.29	21.05	31.94	37.23
Loss of annual pension	45.37	34.61	23.72	18.43
Total multiplier	55.66	55.66	55.66	55.66

MULTIPLIER SPLIT					
Age at trial Retirement age	40 50	40 60	40 70	40 75	
Earnings multiplier	18%	38%	57%	67%	
Pension multiplier	82%	62%	43%	33%	
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ADJUSTMENT FOR EAR	LY REC	EIPT		
Age at trial Retirement age	40 50	40 60	40 70	
Early receipt - years	10	20	30	
Adjustment for early receipt	1.2534	1.3514	1.457	

TOTAL LOSSES - SCENARIO 1							
			Retire at 50	Retire at 70			
	Annual pension	10,000	453,700	237,200			
	Lump sum	5,000	6,267	7,285			
	Loss of earnings	20,000	205,800	638,800			
			665,767	883,285			

TOTAL LOSSES - SCENARIO 2						
		Retire at 50	Retire at 70			
Annual pension	20,000	907,400	474,400			
Lump sum	5,000	6,267	7,285			
Loss of earnings	10,000	102,900	319,400			
		1,016,567	801,085			

TOTAL LOSSES	Retire at 50	Retire at 70	
Higher pension	1,016,567	801,085	
Higher earnings	665,767	883,285	
Difference	350,800	(82,200)	



DON'T FORGET!

- Discounts for factors other than mortality reduces the multiplier
- Beware the disabled v not disabled may increase the loss

DEFINITION OF EMPLOYED/SELF EMPLOYED

Employed Those who at the time of the accident are employed, self-employed or on a government training scheme.

Not employed All others (including those temporarily out of work, full-time students and unpaid family workers).

DISABLED/NOT DISABLED

Disabled A person is classified as being disabled if all three of the following conditions in relation to the ill-health or disability are met:

DISABLED/NOT DISABLED

(i) has either a progressive illness or an illness which has lasted or is expected to last for over a year,

DISABLED/NOT DISABLED

(ii) satisfies the Disability Discrimination Act definition that the impact of the disability substantially limits the person's ability to carry out normal day-to-day activities And

DISABLED/NOT DISABLED

(iii) their condition affects either the kind or the amount of paid work they can do.

Not disabled All others.

ALL BAD NEWS?

- Reviews of the rate every 3 years it is possible with the recent increase in interest rates that the discount rate will be revised upwards.
- Make Periodical Payments Orders to the Claimant, rather than a single lump sum compensation award.



