The new -0.75% discount rate – some worked examples

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Following Matthew White's note, Rachel Segal, Pupil, provides further worked examples of what the new -0.75% discount rate might mean in practice for a variety of common scenarios.

Published on 27th February 2017

N.B. the multipliers below are not adjusted for contingencies other than mortality unless otherwise indicated:

Example 1

Ms A is aged 35 with a loss of earnings of £12,000 to pension age 60. She is educated to degree level and has no disabilities.

At age 35 the adjusted multiplier (Ogden Table 8 multiplier of 18.43 x Table C adjustment of 0.89) at 2.5% would have been 16.40 **= £196,800.00**.

Now the adjusted multiplier at -0.75% (Ogden Table 8 multiplier of 27.10 x Table C adjustment of 0.89) will be 24.11 yielding a figure of **£289,320.00**, a **47%** increase.

Example 2

Mr P is 63 and for the remainder of his life (c.23 years) requires care at a cost of £15,600.00 per year. The Ogden Table 1 2.5% multiplier was 16.84. The new multiplier is 25.82.

Amount he would have previously received= **£262,704.00**

Amount now **£402,792.00** (an increase of **53%**)

Example 3

An apprentice injured on a building site will require a further orthopaedic procedure costing £9,500.00 in 5 years' time.

Using the old rate she would have received **£8,360.00** (Ogden Table 27 multiplier of 0.8839 rounded to 0.88).

With the -0.75% rate (Ogden Table 27 multiplier of 1.0384, rounded up to 1.04) she will now receive around **£9,880.00** (**18%** more than she would have received using the old rate).

Example 4

A 25 year old factory worker will need hearing aid batteries for life at a cost of £50 per year.

At the old rate the Ogden Table 1 multiplier would have been 30.92; he would have received **£1,546.00**.

With the -0.75% rate (a multiplier of 79.99) he will receive **£3,999.50**: an increase of **158%**.

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27th February 2017