



This factsheet has been prepared for general information purposes. It is not a legal document. Please refer to the *Workers Compensation Act* and the *Rehabilitation Services and Claims Manual, Volumes I and II* for purposes of interpretation and application of the law.

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PERMANENT DISABILITY AWARDS: LUMP SUMS AND COMMUTATIONS

How does WorkSafeBC pay permanent disability awards?

Permanent disability awards are usually paid in installments at the end of each month, but can also be paid in one lump sum.

When does WorkSafeBC pay a lump sum?

WorkSafeBC will pay the permanent disability award in one lump sum if it is to compensate you for 10% or less of total disability, and if the monthly payment would amount to \$200 or less.

Can I get a lump sum payment even if my monthly award is more than \$200?

You can ask that part or all of your permanent disability award (and retirement benefit) be paid in one lump sum. This is called a commutation. In order to successfully apply for a commutation, you will need to show that the payment of a lump sum will improve your chances of a secure income over the long-term.

In what circumstances will a commutation be granted?

Commutations may be allowed to help pay for education that will improve your chances for employment, or to help with running a business. Before asking for a commutation for education, you should ensure that you cannot get funding for education and retraining through WorkSafeBC's Vocational Rehabilitation Department.

Commutations may also be granted to allow injured workers to buy a home or pay off a mortgage. Commutations to buy a home are only granted if it is your home and you will live there. If you are buying a home you must show that you can still pay the mortgage and maintain the home from your remaining income (not including the monthly payment from WorkSafeBC).

Commutations will generally not be granted to pay off debts, especially current debts, since your award is intended to provide at least some regular income for basic needs. Monthly pension benefits are protected by law against creditors. However, WorkSafeBC may grant a commutation to pay off debts that you incurred before your injury.

For more information:
Website: www.labour.gov.bc.ca/wab



Lower Mainland/Fraser Valley/Kootenays: 1-800-663-4261
Northern & Central Interior: 1-800-663-6695
Vancouver Island: 1-800-661-4066

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In what circumstances will a commutation not be granted?

WorkSafeBC is unlikely to grant your request if:

- you do not give a reason for requesting the commutation;
- you cannot show how the commutation will improve your income;
- you have no other stable income; and/or
- WorkSafeBC believes you are not a good financial manager, or cannot properly run your own affairs.

Additionally, WorkSafeBC will not grant a commutation for investment purposes, because WorkSafeBC already invests money for you, to finance your permanent disability award and retirement benefit.

WorkSafeBC does not award commutations because a worker fears that, in the event of his or her death, his or her family will not be eligible to receive ongoing benefits. It does not normally commute the monthly payments to finance vehicles, household items, rental property or to assist with financial emergencies.

How does WorkSafeBC calculate the lump sum?

Workers are often surprised to learn that the lump sum they receive is significantly less than their own calculations. They may have expected to be paid a lump sum equal to the sum of all their future monthly pension payments to the date of the expected pension termination. However, the present value of money received as a lump sum is always smaller than the value of money paid out over time as an income stream. Your lump sum payout will be the equivalent present value of both your future monthly payments and your retirement benefit.

In calculating the lump sum, WorkSafeBC uses a number of actuarial assumptions, including the “net discount rate”. The net discount rate is complex, and can be viewed as the anticipated difference between the long-term future investment returns and long-term future inflation. In other words, what you receive as a lump sum is what WorkSafeBC would need to invest at that time in order to be in a position to pay all future monthly amounts for that disability award, and the associated retirement benefit.

For a more detailed explanation, you should contact WorkSafeBC's Actuarial Department at 1-888-967-5377 (toll free) or 604-273-2266 (in the Lower Mainland). The Actuarial Department can also provide you with the "commuted value" of your pension award prior to requesting a commutation, to assist you in deciding how much of a commutation you should request, or if it is worth it to commute your monthly award at all.

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Is a commutation a good idea?

If you are thinking about requesting a commutation, you should consider the impact the commutation will have on your monthly payment from WorkSafeBC. Getting a commutation means your monthly payment from WorkSafeBC will be smaller or may stop, but your disability will be the same. You need to consider if the benefit from the commutation replace the lost monthly income.

How do I request a commutation?

You can request a commutation application package from the Disability Awards Department at 1-888-967-5377 (toll free) or 604-276-3076 (in the Lower Mainland). You will need to complete a commutation application form which asks you to provide information about:

- general information and the proposed amount of the commutation;
- a detailed description of how you intend to use the commutation;
- an explanation on how the commutation will preserve and/or enhance your long-term income; and
- documentation to confirm your income and expenses.

After completing the form, you will need to mail the information or send by fax to WorkSafeBC.

What if I disagree with a decision?

If you do not agree with WorkSafeBC's commutation decision, you have the right to request a review. You must request a review within **90 days**.

To have a chance of success in your review, you must show how the commutation will be of significant benefit to you, and that it will not result in future financial hardship. You must show how the commutation will improve your ability to earn a living or live better within your income. The Review Division decision is final. You cannot appeal this decision to the Workers' Compensation Appeal Tribunal.