

ADVISORY NO. 84

TOPIC: TWCC DISCOUNT RATE; INTEREST RATE

The following is a list of interest or discount rates as published by TWCC pursuant to the authority and directions given under the Texas Workers' Compensation Act, Article 8308-1.04(b).

<u>Effective Date</u>	<u>Annual Interest Discount Rate</u>
01/01/91 - 03/31/91	6.58%
04/01/91 - 06/30/91	6.46%
07/01/91 - 09/30/91	6.00%
10/01/91 - 12/31/91	5.57%
01/01/92 - 03/31/92	4.20%
04/01/92 - 06/30/92	4.37%
07/01/92 - 09/30/92	3.93%
10/01/92 - 12/31/92	3.02%
01/01/93 - 03/31/93	3.57%
04/01/93 - 06/30/93	3.09%

The attached TWCC Advisory 93-07 provides new information on interest or discount calculations.

1. The Advisory states the calculation is based on interest compounded annually;
2. The interest rate to be used is the rate effective on the date the hearing officer signed the hearing decision and order; not the date of appeal decision or any other date.

Example Calculations

a) Interest Due:

$$\begin{aligned} & (\text{Weekly Comp Rate}) \times (\text{Number of Weeks Due}) \times \\ & (\text{Effective Interest Rate on Date of Signed Order}) \\ & _ 52 = \text{Interest Due} \end{aligned}$$

$$\text{Ex. } \$200/\text{week} \times 47 \text{ weeks} \times .0309 _ 52 = \$5.51 \text{ Interest}$$

$$\begin{aligned} \text{TOTAL PAYMENT} & = \\ (200 \times 47) + \text{Interest} & = \$9,400 + \$5.51 \end{aligned}$$

OR in simplest form

$$\begin{aligned} & (\text{Weekly Comp}) (\text{Number of Weeks}) (1 + \text{Interest Rate}/52) = \\ & \text{TOTAL PAYMENT} \end{aligned}$$

b) Discount Payments for accelerated payments of Impairment Income Benefits and Commuted Death Benefits paid to the Subsequent Injury Fund.

$$\begin{aligned} & (\text{Weekly Comp Rate}) \times (\text{Number of Weeks to be Paid in Advance}) \times \\ & (\text{Effective Interest Rate on date of Signed Order} _ 52) = \text{Reduced Amount.} \end{aligned}$$

$$\text{TOTAL PAYMENT} = (\text{Weekly Comp Rate}) \times (\text{Number of Weeks Paid in Advance}) \times (1 - \text{Interest Rate}/52)$$

$$\text{Ex. } (\$200/\text{Week}) \times (47 \text{ Weeks}) (1 - .0309/52) = \$9,394.41$$