



## Informing Progress - Shaping the Future

# The Discount Rate in Northern Ireland

This FOIL NI Learning Event was held on 2nd May 2023 and was presented by **Nora Tallon** of the personal injury forensic accountancy team at **Harbinson Mullholland**. The speaker's detailed slides may be found at - [Presentation slides - The Discount Rate in Northern Ireland - Forum of Insurance Lawyers \(FOIL\)](#)

Nora provided a history of the discount rate (DR) ranging from 4.5% in 1984 to the present figures of -0.25% in England and Wales; -0.75% in Scotland; and -1.5% in NI. She also illustrated how each reduction in the DR dramatically increased the multipliers for a 20-year-old male and a 40-year-old female respectively, particularly as in NI the DR was held at 2.5% between June 2001 and March 2021 when a provisional DR of -1.75% was used until the current rate of -1.5% came into effect on 22nd March 2022.

The next planned review of the DR in NI will be in July 2024. The process is underway in England and Wales, with a dual/multiple rates on the agenda (as is in place in the Republic of Ireland, where both rates are positive).

Nora then looked at the impact of the current DR of -1.5% on future loss claims in NI, particularly when compared to the DR in England and Wales of -0.25%, although the differences are less significant with older individuals. One example was a 20-year-old male, with a multiplicand of £100,000: the damages in NI would be £11,778,000, compared to £8,719,000 in Scotland and £7,246,000 in England and Wales.

Further examples illustrated the impact of the current DR on claims for loss of pension (both defined benefit and defined contribution schemes) and the costs of prosthetics, again with comparisons had the awards been made in England and Wales or Scotland.

Examples were provided of numerous other heads of future loss that are now arising and which are subject to the increased multipliers flowing from the current DR. Even small sums like £500 p.a. become significant with a high multiplier. Claims for loss of overtime and other, smaller annual costs need to be watched closely and verified with the necessary evidence.

Evidence as to life expectancy (LE) is therefore critical, as a reduction in LE can make a significant difference to the multiplier. While many doctors use period life tables, it may be useful to refer them to the 0% column of Table 1 or 2 of the Ogden tables as the 'normal' life

expectancy that will be assumed in the absence of any evidence to the contrary. There has been a reduction in LE between the 7th and 8th editions of Ogden.

Nora then looked at the two different ways to calculate multipliers depending on whether the doctor says that the plaintiff's LE has been reduced by X years or that they will live for X more years.

It was noted that the current DR may make periodical payments less attractive for plaintiffs, although they remain important where LE is uncertain.

All of this puts a spotlight on what will happen in July 2024: one rate or a dual rate; a different rate from now; the same rate across all of the jurisdictions?

In the Q & A session, a delegate opined that the DR in NI was the result of timing, as it had been set at a disadvantageous time. He felt that with the Scottish review taking place at around the same time, the numbers will be much closer and less negative.

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