APPLICATION 8: LUMP SUM COMMUTATIONS

1. What is a lump sum commutation?

A lump sum commutation is a lump sum payment of permanent disability or dependant’s benefits which would otherwise be paid as periodic payments (normally once a month). The lump sum is calculated in accordance with s.47 of the WCA.

2. Under what circumstances will WCB commute permanent disability benefits?

As the method of calculating permanent disability benefits changed as of January 1, 1995, the date of accident determines the circumstances under which WCB will commute benefits. WCB will usually commute permanent disability benefits in the following circumstances:

- the accident was on or before December 31, 1994 and the permanent disability has been assessed at 25% or less, or
- the accident was on or after January 1, 1995 and the annual Economic Loss Payment is no more than 10% of the worker’s annual net earnings at the time of the accident (calculated in accordance with the WCA and the WC Regulation).*

If the permanent disability benefits are more than the percentage indicated above, certain conditions must be met before WCB will consider paying the benefits as a lump sum.

* WCB will not consider a commutation of the Economic Loss Payment unless WCB has determined that regularly scheduled reviews (annual or some other period) are not required (see Application 3, Question 6 and Application 4, Question 4).
3. **What conditions must be met when the disability is more than the percentage indicated in Question 2?**

WCB will only consider commutations over the percentage indicated in Question 2 if all of the conditions in either (a) or (b) are met:

a) i. the disability does not cause a significant earnings impairment, or the worker has verifiable, independent and stable sources of income other than the permanent disability benefits, and

ii. medical evidence indicates the worker’s injury has stabilized, will not likely deteriorate, and that the worker is otherwise in good health.

OR

b) i. medical evidence indicates the worker’s injury has stabilized, will not likely deteriorate, and that the worker is otherwise in good health, and

ii. the clinical impairment and associated work restrictions are not likely to restrict the applicant’s capacity to manage his or her affairs, and

iii. the applicant provides WCB with independent financial advice that the commutation will not adversely affect the worker’s long term financial position.

*Independent financial advice will be considered if the person providing the advice has one of the following professional designations:

- Chartered Accountant (CA)
- Certified Management Accountant (CMA)
- Certified General Accountant (CGA)
- Chartered Financial Analyst (CFA)
- Lawyer
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Conditions when disability is more than designated percentage (continued)

4. What if workers do not want to receive their permanent disability benefits in a lump sum?

WCB will reimburse up to $400 for independent financial advice to help a worker choose between monthly permanent disability benefits and a lump sum.

5. If workers decide not to accept a lump sum commutation, will they be able to change their mind at a later date?

Workers must advise WCB that they want to receive their permanent disability benefits on a monthly basis.

Workers receiving periodic permanent disability benefits assessed at 10% or less may request to have their benefits commuted to a lump sum at any time. However, if the permanent disability benefits are assessed at more than 10% and less than or equal to 25% for accidents before January 1, 1995, workers must provide evidence that they are otherwise in good health.

6. How do the criteria for lump sum commutations affect payment of the Non-Economic Loss Payment for claims occurring on or after January 1, 1995?

The criteria for lump sum commutations do not apply to the Non-Economic Loss Payment (NELP). NELP is always paid as a lump sum, regardless of the degree of disability.
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7. By accepting a lump sum commutation, do workers give up their rights to any other WCB benefits?

Workers who accept a lump sum commutation in full settlement of a claim are still eligible for medical aid, vocational services, and temporary benefits when appropriate.

Workers who receive a partial lump sum commutation are eligible for the remaining permanent disability benefits, as well as medical aid, vocational services, and temporary benefits when appropriate.

In all cases, WCB may later adjust the permanent disability benefits if there is a change in disability.

8. When is this policy application effective?

This policy application (Application 8 – Lump Sum Commutations) is effective January 1, 2018, and applies to all claims regardless of the date of accident, except when noted otherwise in a specific policy section(s).

Previous versions

- Policy 0404 Part II, Application 8 - January 2018
- Policy 0404 Part II, Application 7 - August 2015
- Policy 0404 Part II, Application 7 - January 2004
- Policy 0404 Part II, Application 7 - June 2003
- Policy 0404 Part II, Application 7 - January 2002
- Policy 0404 Part II, Application 7 - October 2001
- Policy 0404 Part II, Application 7 - June 2001
- Policy 0404 Part II, Application 7 - September 1999
- Policy 0404 Part II, Application 7 (consolidated manual 1st Issue) - February 1997