

# INTEREST AWARDS

Pursuant to [21 VSA §675\(c\)](#) and [§664](#) the Commissioner, or the Commissioner's designee, has the authority to order the payment of interest on benefits not paid timely. Interest would be applied to benefits that have not been paid within 15 days after the date that they were due and payable when there is an agreement for benefits, the Department has ordered benefits be paid, or in cases where no denial has been filed and there is no evidence that a dispute exists over the payment of benefits.

NOTE: In addition to interest, insurers should be aware that pursuant to [21 VSA §650\(e\)](#) they may be required to pay an additional 10% on any weekly benefits that are not paid within 21 days of the date that they were due and payable.

Currently the statutory interest rate is 12% per annum ([21 VSA §675\(c\)](#) and [12 VSA §2903](#)). Below are some examples on how to calculate interest. The Vermont Supreme Court has held that the phrase "twelve percent per annum computed by the actuarial method" means calculating simple interest. *Greenmoss Builders, Inc. v. Dun & Bradstreet, Inc.*, 149 Vt. 365, 370, 543 A.2d 1320, 1324 (1988).

Simple interest is calculated by multiplying the overdue weekly benefit by the rate and then the number of days overdue. To determine the amount of interest due per day you would divide .12 by 365 days = .00032877.

Example 1: One week of benefits is overdue. If the comp rate was \$500 per week and payment was delayed 22 days the interest owed on the unpaid benefits would be  $\$500 \times .00032877 \times 22 = \$3.62$ .

Example 2: Injured worker is due \$250 a week in permanent partial disability benefits for a total of 52 weeks. The first payment was due on August 1, 2010 and payments would have continued through July 31, 2011. You discover on August 20, 2011 that no payments have been made.

Calculations:  $\$250 \times 48 \text{ weeks} = \$12,000$ ; this amount represents the benefit amount that was due the injured worker from August 1, 2010 through June 30, 2011.

As of July 1, 2011 the injured worker's compensation rate would be adjusted to \$251 per week to reflect the annual cost of living adjustment (1.004%).

$\$251 \times 4 \text{ weeks} = \$1,004$ ; this amount represents the benefit amount that was due the injured worker from July 1, 2011 to July 31, 2011. It is added to the previous 48 weeks of benefits due for a total due of \$13,004.

$\$13,004 \times .12 = \$1,560.48$ ; this amount represents the amount of interest due on the unpaid benefits.

The total benefit plus interest due injured worker is \$14,564.48.

**Disclaimer: Examples provide general guidance only.**