

ACTUARIAL REPORT

CLAIM FOR LOSS OF SUPPORT

CLAIMANT	MS. M.K. SAMPLE AND MINORS (I.R.O. C.A. EXAMPLE)
INSTRUCTING PARTY	CLIENT ABC
DATE OF CALCULATION	17 March 2008
DATE OF REPORT	14 February 2008
OUR REFERENCE	14XX / TSH
YOUR REFERENCE	<< CLIENT REF >>

1. INSTRUCTION

I have been instructed to quantify the value of the loss of support suffered by the Claimants as a result of the death of Mr. C.A. Example following a motor vehicle accident.

2. INFORMATION PROVIDED

2.1 Family details

	<u>Name</u>	<u>Gender</u>	<u>Date of Birth</u>
Deceased:	Cetshwayo Abram Example	Male	24/02/1954
Spouse Claimant:	Maria Khata Sample	Female	10/04/1960
Child Claimants:	Vusi William Sample		13/12/1985
	Lydia Lizzy Sample		16/01/1993

2.2 Date of accident: 17/12/2003

2.3 Date of death: 17/12/2003

2.4 Earnings of the Deceased

At the time of the accident the Deceased was an unqualified electrician operating in the informal sector. Were it not for the accident, he would have remained in this position until retirement. The following figures have been used in this part of the calculation, with allowance for past and future earnings inflation:

Earnings of the Deceased		
Date	Date of Accident	Date of Calculation equivalent
Basic Salary p.a. (R 2,500 p.m. at the date of accident)	R 30,000	R 38,888

Earnings levels were assumed to increase in the past and future in line with our inflation assumptions as set out below in section 3.2.

3. ASSUMPTIONS USED

3.1 Date of calculation: 17 March 2008

3.2 Earnings of the Spouse Claimant

In the absence of information to the contrary, these have been assumed to be nil.

3.3 Inflation

Past Earnings Inflation: 6.4% p.a. compound

Future Earnings Inflation: 5.5% p.a. compound

3.4 Discount rate

The interest rate at which future losses of income have been discounted has been set at 8.0% per annum compound. This takes into account the long-term, net of tax, risk free rate of return attainable by the Claimants. Taking into account the future earnings inflation assumption, I have in effect assumed a real rate of return (or net discount rate) of 2.4% compound. No adjustment for interest was made to past losses.

3.5 Income tax

I have assumed that the Deceased would have paid tax according to the relevant tax table applicable in each past tax year. The current 2007/2008 tax table, adjusted for salary inflation, is assumed to apply to future earnings. Thus, for example, the same rate of tax will apply this year to R 100,000 of taxable income as will apply next year to R 105,500.

3.6 Mortality

Life Table 6 from the Quantum Yearbook 2007 was used to estimate the mortality experience of the Deceased and Spouse Claimant. This mortality table was devised to reflect the mortality of South Africans with a household breadwinner earning less than R 42,000 per annum. Mortality has been ignored for the Child Claimants. The rates are low at these ages and therefore have little impact on the results.

3.7 AIDS

The mortality table used excludes the effects of HIV and AIDS. Modelling the impact of the epidemic is complex. Without knowing the HIV and AIDS status of the relevant parties, I recommend that the impact of AIDS, if any, on the loss of support, be dealt with by way of the general contingency deductions that are made.

3.8 Retirement age: 65 years

3.9 Cessation of child support: Age 18 years and 21 years in turn.

3.10 Apportionment of income

It has been assumed that in the absence of the accident, the net family income would have been apportioned two parts to each parent and one part to each child while in receipt of parental support.

3.11 Estate of the Deceased

In the absence of information to the contrary, this has been assumed to be nil.

3.12 Social Services Grant

As no information has been given to the contrary, it is assumed that the Claimant is not in receipt of any government grants.

4. CONTINGENCIES (per instruction)

4.1. Unemployment, sickness, or accident

It is customary for the Court to adjust the calculated loss to reflect the facts of each individual case and for contingencies not allowed for in the calculations. The calculations take mortality, interest and inflation into account, but not other factors that could affect the expected earnings of the Deceased and of the Spouse Claimant. Such factors would include illness, disability, unemployment and variations from the assumed levels of earnings. The level of these contingencies is not an actuarial matter and is left for the Court to decide.

However, for illustrative purposes, I have used a 5% contingency deduction in the calculation of the results presented below.

4.2. Remarriage

It is customary to take account of the possibility of remarriage via an age- and ethnicity-dependent contingency deduction. Given the Spouse's age at the date of her bereavement (43 years), time elapsed since bereavement (4 years) and ethnicity (Black South African), it would be reasonable to apply a further contingency deduction of 3% to the Spouse's loss in this instance.

5. METHOD OF CALCULATION

A discounted cash flow approach, with the information and assumptions detailed above, was used. This produces an expected present value (i.e. value in today's money terms), after allowing for mortality, apportionment, taxation, interest and inflation. This method complies with standard actuarial practice. Insurance and pension benefits paid as a result of the death are ignored.

6. RESULTS

With the information supplied and the assumptions and methodology detailed above, the value of the loss of support, as at the calculation date, suffered by the Claimants is presented overleaf in the appendix to this report.

7. CONCLUSION

The calculations were performed as at 17 March 2008. An adjustment for interest should be made to these results for the period between the date of calculation and the date of settlement. If this period were more than one year, I would recommend that updated calculations be performed.

Prepared by:



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Cape Town, 14 February 2008

APPENDIX – Results of Loss of Support Calculation

**CLAIMANT: MS. M.K. SAMPLE AND MINORS
(I.R.O. C.A. EXAMPLE)**

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CHILD SUPPORT TO AGE 18 YEARS

PRESENT VALUE OF	TOTAL FOR ALL CLAIMANTS	Mrs. Maria Khata Sample	Vusi William Sample	Lydia Lizzy Sample
PAST LOSS	R 80,372	R 53,581	R 0	R 26,791
LESS: GENERAL CONTINGENCIES	(R 4,019)	5% (R 2,679)	5% R 0	(R 1,340)
NET PAST LOSS	R 76,353	R 50,902	R 0	R 25,451
FUTURE LOSS	R 135,743	R 117,801	R 0	R 17,942
LESS: GENERAL CONTINGENCIES	(R 6,787)	5% (R 5,890)	5% R 0	(R 897)
LESS: REMARRIAGE CONTINGENCY	(R 3,357)	3% (R 3,357)		
NET FUTURE LOSS	R 125,598	R 108,554	R 0	R 17,045
LOSS AFTER CONTINGENCIES	<u>R 201,952</u>	<u>R 159,456</u>	<u>R 0</u>	<u>R 42,496</u>

APPENDIX – Results of Loss of Support Calculation

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CHILD SUPPORT TO AGE 21 YEARS

PRESENT VALUE OF	TOTAL FOR ALL CLAIMANTS	Mrs. Maria Khata Sample	Vusi William Sample	Lydia Lizzy Sample
PAST LOSS	R 86,594	R 47,360	R 15,554	R 23,680
LESS: GENERAL CONTINGENCIES	(R 4,330)	5% (R 2,368)	5% (R 778)	(R 1,184)
NET PAST LOSS	R 82,264	R 44,992	R 14,776	R 22,496
FUTURE LOSS	R 144,081	R 110,344	R 0	R 33,737
LESS: GENERAL CONTINGENCIES	(R 7,204)	5% (R 5,517)	5% R 0	(R 1,687)
LESS: REMARRIAGE CONTINGENCY	(R 3,145)	3% (R 3,145)	R 0	R 32,050
NET FUTURE LOSS	R 133,732	R 101,682	R 0	R 32,050
LOSS AFTER CONTINGENCIES	R 215,996	R 146,674	R 14,776	R 54,546