

ACTUARIAL REPORT

CLAIM FOR LOSS OF EARNINGS

CLAIMANT	MR. D.C. SAMPLE
INSTRUCTING PARTY	CLIENT ABC
DATE OF CALCULATION	16 March 2008
DATE OF REPORT	21 February 2008
OUR REFERENCE	1476 / LAW
YOUR REFERENCE	<< CLIENT REF >>

1. INSTRUCTION

I have been asked to quantify the value of the loss of earnings of Mr. Dean Collin Sample (the Claimant), resulting from injuries sustained in a motor vehicle accident.

2. INFORMATION PROVIDED

2.1 Claimant's date of birth: 04/05/1973

2.2 Claimant's gender: Male

2.3 Date of accident: 16/09/2003

2.4 Earnings had the accident not occurred (Pre-morbid earnings)

At the time of the accident the Claimant was employed as a general labourer / assistant. Were it not for the accident, he would be promoted to the position of electrical assistant. The following figures have been used in this part of the calculation:

Pre-morbid earnings			
Dates	Date of Accident	01/2004	Date of calculation
Total earnings p.a.	R 16,160	R 33,491	R 42,929
Description	General Assistant R 200 p.w. + R 30 p.w. overtime + R 50 p.w. incentive bonus + R 600 p.a. leave pay + R 500 p.a. leave bonus + R 500 p.a. Christmas bonus	Electrical Assistant R 15.30 p.h. basic in 2008 terms (35 hours p.w.) + overtime (same augmentation to basic as earned in position as General Assistant) + 25% of basic as incentive bonus + 85% of basic monthly salary as leave bonus + 85% of basic monthly salary as Christmas bonus	

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.

2.5 Earnings given that the accident has occurred (Post-morbid earnings)

Since the time of the accident the Claimant has earned as follows:

- R 2,600 received from 17/09/2003 to 16/12/2003
- R 160 p.w. for 8 months in 2005 (bead work)
- R 100 p.w. for 14 months thereafter (bead work)
- R 15.00 p.h. (35 hours p.w., i.e. R 27,300 p.a., in 2008 terms) from a contract with ADT: control room operator, from November 2006 until 13/03/2008

The following alternative future **post-morbid earnings scenarios** are considered:

- A. After 13/03/2008 the Claimant finds more work as a control room operator, albeit at R 10.58 p.h., (R 19,256 p.a.), remaining in this position until retirement at age 60
- B. After 13/03/2008 the Claimant finds more work as a control room operator, albeit at R 10.58 p.h., remaining in this position until retirement at age 55
- C. After 13/03/2008 the Claimant finds more work as a control room operator, albeit at R 10.58 p.h. remaining in this position until retirement at age 50
- D. After 13/03/2008 the Claimant has no other post-morbid earnings.

2.6 Social Services Grant

The Claimant has received disability grants effectively since 31 March 2006. For the purposes of quantifying this loss of earnings claim, the grant is assumed to cease immediately. Only the amount already received is deducted from the past loss of earnings in this calculation.

2.7 Compensation Commissioner Pensions

A pension has been awarded by the Compensation Commissioner. The pension has been capitalised and taken into account in the calculation according to the method laid down by the Compensation for Occupational Injuries and Diseases (COID) Act of 1993, assuming payment until its intended cessation date. The capitalised value is shown as a separate line item in the results below.

2.8 Retirement age: 63 years (pre-morbid)

3. ASSUMPTIONS

3.1 Date of calculation: 16 March 2008

3.2 Inflation

Past Earnings Inflation: 5.8% p.a. compound

Future Earnings Inflation: 5.5% p.a. compound

3.3 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 Claimant. 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.

3.4 Income tax

I have assumed that the Claimant would pay tax according to the relevant tax table applicable in each tax year. The current 2008/2009 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.

3.5 Mortality

Life Table 5 from the Quantum Yearbook 2007 was used to estimate the mortality experience of the Claimant. This mortality table was devised to reflect the mortality of South Africans with a household breadwinner earning between R 42,000 and R 85,000 per annum. Mortality from the date of the accident to the date of calculation has been ignored. It has been assumed that life expectancy has not been affected by the accident.

3.6 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 earnings be dealt with by way of the general contingency deductions that are made.

4. CONTINGENCIES

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 Claimant's expected earnings. 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.

5. METHOD OF CALCULATION

A discounted cash flow approach was used. This method complies with standard actuarial practice.

The net earnings in each year were projected with salary inflation and discounted back to the date of calculation after allowing for mortality. The sum of these produce expected present values in today's money terms (called actuarial or capitalised values). Contingencies are applied where appropriate. The resultant difference between the actuarial values of pre-morbid and post-morbid earnings after contingencies represents the net loss.

6. RESULTS

With the information supplied under the above earnings scenarios, and the assumptions and methodology detailed in this actuarial report, the alternative values, as at the calculation date, of the loss of earnings suffered by the Claimant are presented overleaf in the Appendix to this report.

7. CONCLUSION

The calculations were performed as at 16 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:



Chanan Weiss BSc
Fellow of the Faculty of Actuaries
Fellow of the Actuarial Society of South Africa

Assisted by:



Riyadh Omardien BBusSc (Hons)
Cape Town, 21 February 2008

APPENDIX – Results of Loss of Earnings Calculation

CLAIMANT: MR. D.C. SAMPLE

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SCENARIO A: Post-morbid earnings cease at age 60

PRESENT VALUE OF	Pre-morbid Earnings	Post-Morbid Earnings	LOSS BEFORE CONTINGENCIES & C.O.I.D. AWARD
PAST EARNINGS	R 166,735	R 50,493	R 116,242
PAST GRANTS		R 19,460	(R 19,460)
FUTURE EARNINGS	R 768,485	R 229,968	R 538,517
TOTAL	R 935,220	R 299,921	R 635,299

CAPITALISED VALUE OF C.O.I.D. PENSION AWARD	R 232,395
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APPENDIX – Results of Loss of Earnings Calculation

CLAIMANT: MR. D.C. SAMPLE

<< CLIENT REF >>

SCENARIO B: Post-morbid earnings cease at age 55

PRESENT VALUE OF	Pre-morbid Earnings	Post-Morbid Earnings	LOSS BEFORE CONTINGENCIES & C.O.I.D. AWARD
PAST EARNINGS	R 166,735	R 50,493	R 116,242
PAST GRANTS		R 19,460	(R 19,460)
FUTURE EARNINGS	R 768,485	R 201,100	R 567,385
TOTAL	R 935,220	R 271,053	R 664,167
CAPITALISED VALUE OF C.O.I.D. PENSION AWARD			R 232,395

APPENDIX – Results of Loss of Earnings Calculation

CLAIMANT: MR. D.C. SAMPLE

<< CLIENT REF >>

SCENARIO C: Post-morbid earnings cease at age 50

PRESENT VALUE OF	Pre-morbid Earnings	Post-Morbid Earnings	LOSS BEFORE CONTINGENCIES & C.O.I.D. AWARD
PAST EARNINGS	R 166,735	R 50,493	R 116,242
PAST GRANTS		R 19,460	(R 19,460)
FUTURE EARNINGS	R 768,485	R 164,232	R 604,253
TOTAL	R 935,220	R 234,186	R 701,034
CAPITALISED VALUE OF C.O.I.D. PENSION AWARD			R 232,395

APPENDIX – Results of Loss of Earnings Calculation

CLAIMANT: MR. D.C. SAMPLE

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SCENARIO D: Post-morbid earnings cease on 13/03/2008

PRESENT VALUE OF	Pre-morbid Earnings	Post-Morbid Earnings	LOSS BEFORE CONTINGENCIES & C.O.I.D. AWARD
PAST EARNINGS	R 166,735	R 48,716	R 118,019
PAST GRANTS		R 19,460	(R 19,460)
FUTURE EARNINGS	R 768,485	R 0	R 768,485
TOTAL	<u>R 935,220</u>	<u>R 68,176</u>	<u>R 867,044</u>
CAPITALISED VALUE OF C.O.I.D. PENSION AWARD			R 232,395