

ACTUARIAL REPORT

CLAIM BY FRANS FRANKADO SYSTER

1 INTRODUCTION

instructed us to estimate the capital value of the potential loss of earnings suffered by the above claimant (born 5 March 1995 - current age 25), due to an accident on 5 September 2017 (at age 22).

Figures have been calculated as at 1 September 2020. If figures are required more than twelve months after this date of calculation, a new calculation is recommended. For shorter time periods, allowance for inflation may be considered.

This report is based on data supplied, generally accepted actuarial methods employed and assumptions made. The information has not been audited or verified, should the information be incorrect the results must be recalculated.

2 EXECUTIVE SUMMARY

2.1 Capital Value of Loss of Earnings (no contingencies; RAF cap has no impact)

		Capital Value
Past	R	244 400
Future	R	1 792 000
Total	R	2 036 400

3 INFORMATION UNDERLYING LOSS OF EARNINGS CALCULATION

We have based the calculation on information provided by the attorney, including the following sources:

Source	Date
Earnings Specialist report by Arabella van der Bijl	24 July 2020
Payslip	30 June 2020

The Unskilled figures below are as per "The Quantum Yearbook 2020" by Dr Robert J Koch (median, unless stated otherwise).

3.1 Current Earnings

The information provided indicates that the claimant earned as follows from November 2019 onwards (2020 terms, before tax, unless stated otherwise):

- Basic - R 854 per week
- Additional earnings - 8.23% of basic salary ¹

¹ YTD Gross Earnings R 7 953 ÷ 8 weeks (6 May 2020 - 30 June 2020), less Basic R 854, expressed as a percentage of Basic, 50% of the year

3.2 Key Interpretations and Assumptions

The information provided has left room for interpretation and we have made the following assumptions:

1. We have based the claimant's current earnings on the YTD information ("Balance B. Bruto") contained in the payslip provided. The IP notes that the claimant would have only received overtime/additional earnings for 6 months of the year, and we have therefore allowed for 50% of the additional earnings as per the payslip.

4 CALCULATION OF LOSS OF EARNINGS

4.1 Uninjured Earnings

Basic

The information provided indicates that the claimant's career and earnings would have progressed as follows had the accident not occurred (2020 terms, before tax, unless stated otherwise):

- Date of accident - R 25 823 per year (2017 terms)
- November 2019 - R 854 per week
- Date of calculation - R 854 per week, straight line to
- January 2053 - Unskilled (median/upper) / (upper) at R 73 975 per year

We have included the same fringe benefits detailed above in paragraph 3.1 from November 2019 onwards, and have allowed for earnings inflation until retirement age 65.

New

The information provided indicates that the claimant would have earned R 5 000 per month (2017 terms, before tax) since the date of accident. We have allowed for earnings inflation until retirement age 65.

4.2 Injured Earnings

The information provided indicates that the claimant's career and earnings has and will progress as follows now that the accident has occurred (before tax):

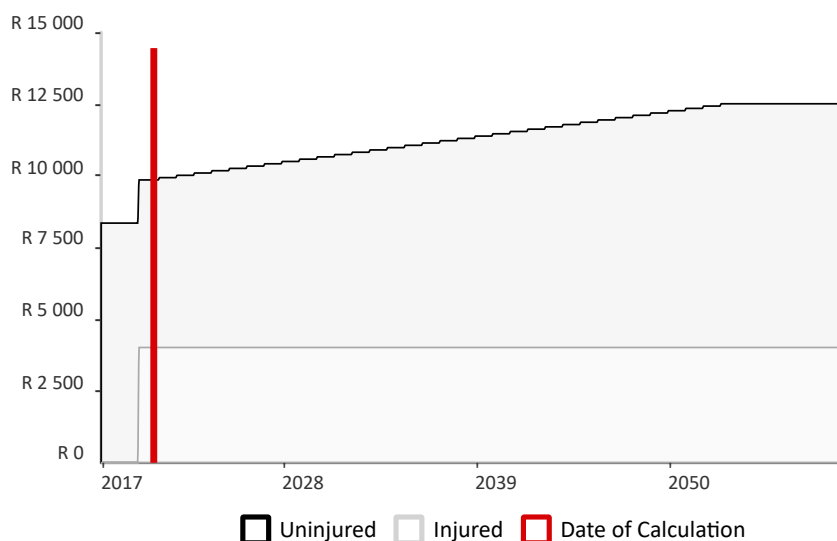
- Date of accident - No earnings
- November 2019 - As per paragraph 3.1

We have allowed for earnings inflation until retirement age 65.

4.3 Contingencies

No contingencies have been applied. Contingencies may be applied as usual since the RAF Amendment Act cap does not have an impact on this scenario.

4.4 Graphical Representation of Earnings Streams (per month, in current terms)



4.5 Capital Value of Loss of Earnings

	Uninjured Earnings		Injured Earnings		Loss of Earnings	
Past	R	284 200	R	39 800	R	244 400
Future	R	2 925 300	R	1 133 300	R	1 792 000
TOTAL LOSS OF EARNINGS					R	2 036 400

The application of the RAF Amendment Act cap in this loss scenario will not have an impact on the claim.

5 ASSUMPTIONS UNDERLYING CALCULATION OF CAPITAL VALUES

5.1 Actuarial Methodology

The Annexure sets out the broad actuarial methodology used to determine the capital values above.

5.2 Actuarial Assumption

	Past	Future	Net discount rate
Price inflation	CPI ¹	5%	3.50%
Earnings inflation	CPI ¹ +1%	6%	2.50%
Investment return	n/a	8.65% ²	
Tax	Actual tables	2020/21 tables	

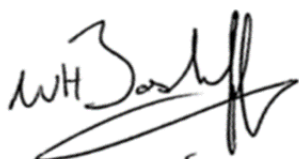
¹ As measured by changes in the consumer price index published by STATSSA

² Expected investment return on a balanced portfolio of equities, bonds & cash (after fees and taxes)

Mortality table: South African Life Tables 1984 - 86 (Life Table 2 Males)

6 DISCLAIMER

We have interpreted the information supplied as accurately as possible in the time available to do so, but accept that alternative interpretations are possible. Ultimately the suggested career paths, interpretation of legal rulings and all other input fall beyond our scope of responsibility. We express no opinion on the reasonableness thereof. We have calculated an answer that depends entirely on accurate and complete information being supplied. The signatures verify the correctness of the calculation method and our view on stable long-term actuarial assumptions.



Willem Boshoff



Charl du Plessis



Julie Valentini

FELLOWS OF THE ACTUARIAL SOCIETY OF SOUTH AFRICA

ANNEXURE: ACTUARIAL METHODOLOGY

A. PURPOSE

The actuary's role is to place an appropriate present capital value on the loss of earnings (if any) and future additional costs (if any) incurred by the claimant because of the accident.

The process of capitalising a future earnings stream involves calculating an amount of capital at the date of calculation, that is expected to be of equal value to the earnings stream which it replaces, when invested.

As for any insurance contract, this expected present value is based on the laws of large numbers and stable long term financial assumptions, which is the best estimate applicable to any individual. The result will be over- or under-compensation for this claimant (since the assumptions will not exactly apply to the individual), but is the fairest method to both parties when compensation is done via lump sum.

B. DEFINITIONS

Uninjured earnings:	the assumed earnings had the accident not occurred
Injured earnings:	the actual and assumed earnings given the accident occurred
Past earnings:	earnings from the date of accident to the date of calculation
Future earnings:	earnings from the date of calculation to assumed retirement age

C. METHOD USED

The actual (or assumed) earnings are projected using our earnings inflation assumptions, as well as any other information deemed reasonable as provided by the facts, the experts or instructions.

Unless otherwise stated all earnings are taken as gross of tax. We have applied the appropriate tax table to all earnings in each year, after allowance for deductibles such as pension contributions when applicable.

D. PAST LOSS OF EARNINGS

The past loss is the difference between the values of the past uninjured and past injured earnings. In terms of current law, no interest is added when accumulating the capital values of past earnings.

E. FUTURE LOSS OF EARNINGS

The future loss is the difference between the expected present capital values of the future uninjured and future injured earnings.

In calculating these present capital values, assumptions are made about the probability of the claimant being alive to earn the assumed earnings. This is done using the mortality tables stated in the report.

Allowance must also be made for the interest that the claimant could be expected to earn by investing the award up until the time of each assumed future loss. Future assumed earnings are therefore discounted to the date of calculation to allow for the time value of money. The net discount rate is the assumed rate by which investment returns will outstrip earnings inflation.

F. ADJUSTMENT FOR GENERAL CONTINGENCIES

It is normal practice for legal teams to make deductions from the uninjured and injured earnings for general contingencies. Any such deduction depends on the facts and circumstances of each case, and is for the legal team/s, or ultimately, the court to decide.

G. APPLICATION OF THE RAF AMENDMENT ACT ON PROJECTED LOSSES

The amendment act benchmark for the determination of the applicable limited loss is August 2017 at R 262 366 per year. The date of the accident was between this date and the next quarterly update in November 2017. As per *Sil v RAF*, *Sweatman v RAF* and *Nel v RAF*, we have assumed that the cap will remain level, and applied this cap to each annual loss (after tax, mortality, discount, contingencies, apportionment, as applicable).

