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NEWSLETTER

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The State disability grant: This has been R7440 per year since April 2002. Entitlement thereto commences at age 18. This means that for a low-income family a child who is permanently disabled will become self-supporting at age 18 while other siblings may remain dependent to older ages.

The grant is subject to a means test: A single person who has assets totalling 30 times the annual grant, that is to say R223200 in 2002, is not entitled to a grant. For a married couple their joint assets are aggregated and subject to a limit of 60 times the annual grant, that is to say R446400. "Assets" includes assets given away or sold at a low price or held under usufruct or used to purchase an annual income. The amounts are fairly high relative to compensation awards so there are likely to be a number of instances where the future value of the State disability grant should be deducted when assessing compensation for loss of earnings.

The situation is complicated by there also being a means test as regards income: A single person with an income in excess of R14712 per year (1,977 times the grant) is not entitled to a grant; for married persons the incomes are aggregated with a cut-off joint income of R27192 per year (3,655 times the grant). "Income" includes investment income. It follows that a small damages award of R122600 invested at 12% per year interest will disentitle the claimant to his State grant. If the money is invested in a house in which the claimant then lives his income is nil and he is entitled to a State grant. There are formulae laid down for partial reductions in the grant payable (see Government Gazette 18771 of 31 March 1998 R6134 vol 393).

Many victims of motor accidents survive on a State grant during the, often lengthy, delays before they receive compensation. Past payments are normally deducted from past loss of earnings or support (*Zysset v Santam* 1996 1 SA 273 (C); *Indrani v African Guarantee* 1968 4 SA 606 (D)); contra *Nxele v President* 1993 C&B 4 C4-1 (W) at C4-6)).

Deduction of the grant from future loss of earnings is subject to substantial contingencies: The award of damages need not be invested in fixed interest securities (and for larger awards should certainly not be entirely so invested); income of a spouse can affect the entitlement of a victim to disability grant payments; future increases in the grant payable are subject to Government discretion; if the claimant dissipates his compensation capital he will still have the State grant to live on. It is clear that if the capitalised value of a future State grant is to be deducted it should be subject to a substantial adjustment for general contingencies of about 50%.

Inflation: "Headline" or "CPI(X)": In an active reasonably open economy it can be expected that all measures of inflation will **in the long term** give the same average rate. Over the short term, however, divergences can be expected. The main difference between "Headline" inflation (8,9% at June 2002) and "CPI(X)" (9,74%) has been that the notional

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basket of goods for "Headline" inflation includes house bond repayments. Government "inflation targeting" has focused on "Headline" inflation. Since 1998 "Core" inflation and "CPI(X)" have been reporting inflation rates 2% and 3% per year higher than "Headline". Prior to 1996 "Headline" inflation was running higher than "CPI(X)". With the collapse of the Rand after September 2001 and the prospect of substantial increases in interest rates it seems likely that 2003 will see "Headline" inflation once again rising above "Core" and "CPI(X)". This prospect may be the reason behind Government's apparent sellout salary increase agreement for July 2002 and next year being based on 2% above CPIX, the extra 2% being a catchup for unduly low increases in 2000 and 2001. Government may well yet have a percentage point or two gain from this strategy. Whether it be "Headline" or "CPI(X)" it seems clear that the next 18 months are going to see some substantial increases in salary levels.

The future of medical inflation is not so clear: Although South African wages may be going up, overseas many persons are losing their jobs or getting no increases. This circumstance and the associated poor sales may induce producers to reduce prices. The conventional wisdom that imported goods are now going to be more expensive should be viewed with caution. So much is uncertain there are bound to be some surprises for those who check the facts properly.

25% discount on actuarial fees: In my June 2002 newsletter I detailed aspects of my popular deferred fee payment scheme. For those who pay on delivery of my report there is a 25% rebate in the fee payable. There have, unfortunately, always been a few claims handlers at the RAF with a poor sense of justice. One of these has taken the view that a claimant is obliged to "mitigate his damages(?)" by paying my fee up front and thereby claiming the 25% rebate. For this reason the RAF is insisting on reimbursing the claimant for only 75% of my full fee even though the claimant has had to pay to me the full 100% when he eventually gets his compensation money. As it is there are several claims handlers at the RAF who take so long to pay me that the RAF loses entitlement to the 25% rebate. So how about the RAF getting its own house in order first. Secondly, is it not true that the reason for the delay with the claimant paying Robert Koch is the delay with the RAF paying compensation to the claimant? There is a famous saying about people in glass houses and the throwing of stones.

Cohabitation as a ground for claiming loss of support: Judge Satchewell's housemate is going to get a share of Judge Satchwell's pension (recent unreported SCA ruling), but the same will not apply if Judge Satchwell dies in a motor car accident: In *Du Plessis* 2002 4 SA 596 (T) it was ruled that the partner of a homosexual relationship is not entitled to compensation for loss of support. Once again Grotius groans in his grave, for he wrote in his *Inleidinge* that a contractual agreement to provide support does give rise to an action for loss of support. But maybe the *Du Plessis* matter is on its way to SCA.

Black and white statistics: The Bureau of Market Research at UNISA has reported that in 2001 the average income of a white person was R62797, that of a coloured person R16776, and that of a black person R9507. Just how much longer is it going to take to get black and white out of the statistics and talk about new-South-Africa things like: 45% of informal sector workers earn less than R7100 per year (*Quantum Yearbook* 2002 at 113). Recently I was asked to apply the new drop-dead-with-AIDS Eastern-Cape black mortality table to a claim for loss of earnings of R10 million. I asked if they would consider using the same table for Tokyo Sexwale. I am gratified to report that I have heard nothing more about the proposal.

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