

## APPENDIX 1

### CALCULATION OF LUMP SUM LIABILITY

1. In order to place a value on the outstanding future payments a factor (“the Multiplier”) must be calculated that is then applied to the annual sum being received by the claimant at the date of calculation (“the Payment”). The Multipliers to be used shall be as stated in the Actuarial Tables for use in Personal Injury and Fatal Accident Cases that are produced by the Government Actuary’s Department (“GAD”). These tables are normally referred to as the “Ogden Tables” and are updated from time to time.
2. The latest Ogden Tables that are in force at the date of calculation will be the ones that apply. If the Ogden Tables are no longer produced at the date of calculation, then whatever replacement tables are recommended by the GAD shall be used, and failing such a recommendation, the last in force set of Ogden Tables shall be the ones that apply.
3. To select the appropriate Multiplier the following information is required:
  - The mortality table to be used (see 4 below)
  - Whether the Payment is to be made each year until death or until a fixed age in the future or whether it only commences at a future age (see 5 below)
  - Age of claimant, adjusted for any reduced life expectancy (see 6 below)
  - The rate of return (see 7 below)
4. The mortality tables to apply will be based on projected mortality and should be either the male or female tables as is applicable to the calculation. These are currently Tables 1 to 26 of the 5th edition of the Ogden Tables.
5. The Ogden Tables include Multipliers that apply for the life of the individual, which can be used to value the cost of lifetime care, and also Multipliers that value loss of future earnings and/or loss of pension for various ages ceasing or commencing between 55 and 70. The appropriate table will be used provided it is applicable to the nature of the Payment being valued. Where there is a non-standard Payment, (i.e. one not covered by the Ogden Tables, for example additional payments to cover extra costs for education between the ages of 18 and 21), the Multiplier will be calculated by the NHSLA’s independent actuaries using the same assumptions for mortality, age and rate of return as are specified in this section.
6. The age to be used will be the attained age of the claimant at the date of calculation. In order to allow for an individual with reduced life expectancy, then a certain number of years should be added to their current age to derive an adjusted age. The number of years to be added will be the same as that assumed in the original settlement. If the current age is adjusted for impaired life expectancy, then the same adjustment should also be made to the future fixed age if the Payment being valued either ceases or commences at some time in the future.
7. The rates of return shown in the Ogden Tables are a “real” rate of return. This means that it excludes future retail price inflation. As the Payment will normally increase by the change in the Retail Prices Index, it is correct to use a real rate to calculate the Multiplier. The rate of return to be used is the one specified by the Treasury for purposes of government accounting at the time of valuation (currently 2.2% real pa in December 2005). If the Treasury rate of return is not shown in the Ogden Tables, then the Multiplier will be calculated by interpolation between the Multipliers that are closest above and below the appropriate rate of return.
8. If the Payment to be valued is to be increased at a rate other than retail price inflation, ie it is level or increases in line with some other index, then it will be valued by the NHSLA’s independent actuaries using assumptions that are consistent with those set out above and under the instruction to provide a fair balance between both parties.