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Personal Injury Economic Damages Report
Plaintiff: Jason A. Exemplar

Report Produced On 11/20/2009 Prepared by: John D. Expert

Report Notes

This is a sample report produced using Advocate Software's Personal Injury-Economist program. This software allows you to quickly determine the damages in a case and even make changes quickly and easily at trial.

Case Information

Trial or Settlement Date: 9/11/2009 Injury Date: 8/3/2005
Compound Interest Rate: 0.05 (for Past Damages) Discount Rate: 0.03 (for Future Damages)

Present Value of Future Damages Computed Monthly
Present Value Computed Using Compound Interest

Plaintiff Information

Sex: Male Race: White
Birth Date: 5/5/1975 Age at Injury: 30.25
Worklife Expectancy*: 31.96 Years Retirement Age: 62.21
Life Expectancy**: 47.05 Years Expected Age at Death: 77.30

Damages Summary

Type of Damage	Future Values		Present Values	
	Past	Future	Past	Future
Lost Income	\$ 195,919	\$ 1,721,218	\$ 218,642	\$ 1,143,619
Lost Fringe Benefits	62,362	422,147	68,773	280,501
Lost Household Services	36,487	303,855	39,921	163,444
Medical Costs	53,573	393,790	64,715	211,882
Other Costs	49,459	93,916	59,424	89,892
Total Damages	\$ 397,800	\$ 2,934,926	\$ 451,475	\$ 1,889,338
Grand Total Damages	\$ 3,332,726		\$ 2,340,813	

* Work Life from The Markov (Increment-Decrement) Model of Labor Force Activity: New Results Beyond Work-Life Expectancies, Gary Skoog and James Ciecka, Journal of Legal Economics, Spring-Summer 2001, Vol. 11, Number 1, for men active in the work force, with a bachelor's degree.

** Life Expectancy information from: Arias E. United States life tables, 2004. National Vital Statistics Reports, Vol. 56, No. 9, December 28, 2007

**Detail of Pre-Trial Lost Income
Plaintiff: Jason A. Exemplar**

Projected Earnings of the Plaintiff - Injury to Trial

Annual Earnings of the Plaintiff Before the Injury: \$ 68,000

From	To	Occupation	Income	Fringes	Growth*
08/03/2005	12/31/2005	Human Resources Manager	\$ 28,413	\$ 7,075	1.0%
01/01/2006	12/31/2006		71,565	17,820	4.2%
01/01/2007	12/31/2007		74,141	18,461	3.7%
01/01/2008	12/31/2008		76,810	19,126	3.8%
01/01/2009	09/11/2009		55,376	13,789	3.8%
Totals:			\$ 306,305	\$ 76,271	

* Growth rates of earnings are from the U. S. Department of Labor, Bureau of Labor Statistics in "Table B-4. Average hourly earnings of production or nonsupervisory workers on private nonfarm payrolls by industry sector and selected industry detail, seasonally adjusted. Employment, Hours, and Earnings from the Current Employment Statistics survey (National), January, 2009 data for All Private Firms."

Actual Earnings of the Plaintiff - Injury to Trial

From	To	Occupation	Income	Fringes
08/03/2005	12/31/2005	Social and Community Service Managers(119151)	\$	\$
01/01/2006	12/31/2006		39,666	4,998
01/01/2007	12/31/2007		41,094	5,178
01/01/2008	12/31/2008		29,626	3,733
01/01/2009	09/11/2009			
Totals - Future Value:			\$ 110,386	\$ 13,909

**Detail of Pre-Trial Lost Income
Plaintiff: Jason A. Exemplar**

Evaluation of Pre-Trial Lost Income by Year

Year Ending	Lost Earnings	Present Value Lost Earnings	Lost Fringe Benefits	Present Value Lost Fringes
12/31/2005	\$ 28,413	\$ 34,536	\$ 7,075	\$ 8,600
12/31/2006	71,565	82,845	17,820	20,629
12/31/2007	34,475	38,009	13,463	14,843
12/31/2008	35,716	37,502	13,948	14,645
09/11/2009	25,750	25,750	10,056	10,056
Totals	\$ 195,919	\$ 218,642	\$ 62,362	\$ 68,773

**Detail of Future Lost Income
Plaintiff: Jason A. Exemplar**

What the Plaintiff Would Have Earned in the Future

From	To	Occupation	Annual Earnings	Fringe Benefits	Growth Rate	Discount Rate
09/11/2009	07/19/2037	Human Resources Manager	\$ 82,233	\$ 18,914	1.0%	3.0%

What the Plaintiff Will Now Earn in the Future

From	To	Occupation	Annual Earnings	Fringe Benefits	Growth Rate	Discount Rate
09/11/2009	07/19/2037	Social and human service assistants	\$ 28,336	\$ 5,696	1.0%	3.0%

Evaluation of Future Lost Income by Year
Plaintiff: Jason A. Exemplar

Year Ending	Plaintiff Would Have Earned		Plaintiff Will Earn Instead		Difference (Totals)	Present Value of Loss
	Earnings	Fringes	Earnings	Fringes		
09/11/2010	\$ 82,233	\$ 18,914	\$ 28,336	\$ 5,696	\$ 67,115	\$ 66,036
09/11/2011	83,055	19,103	28,619	5,753	67,786	64,717
09/11/2012	83,886	19,294	28,905	5,811	68,464	63,454
09/11/2013	84,725	19,487	29,194	5,869	69,149	62,196
09/11/2014	85,572	19,682	29,486	5,928	69,840	60,955
09/11/2015	86,428	19,879	29,781	5,987	70,539	59,758
09/11/2016	87,292	20,078	30,079	6,047	71,244	58,567
09/11/2017	88,165	20,279	30,380	6,107	71,957	57,402
09/11/2018	89,047	20,482	30,684	6,168	72,677	56,273
09/11/2019	89,937	20,687	30,991	6,230	73,403	55,152
09/11/2020	90,836	20,894	31,301	6,292	74,137	54,059
09/11/2021	91,744	21,103	31,614	6,355	74,878	52,990
09/11/2022	92,661	21,314	31,930	6,419	75,626	51,937
09/11/2023	93,588	21,527	32,249	6,483	76,383	50,915
09/11/2024	94,524	21,742	32,571	6,548	77,147	49,903
09/11/2025	95,469	21,959	32,897	6,613	77,918	48,912
09/11/2026	96,424	22,179	33,226	6,679	78,698	47,940
09/11/2027	97,388	22,401	33,558	6,746	79,485	46,994
09/11/2028	98,362	22,625	33,894	6,813	80,280	46,064
09/11/2029	99,346	22,851	34,233	6,881	81,083	45,151
09/11/2030	100,339	23,080	34,575	6,950	81,894	44,252
09/11/2031	101,342	23,311	34,921	7,019	82,713	43,380
09/11/2032	102,355	23,544	35,270	7,089	83,540	42,513
09/11/2033	103,379	23,779	35,623	7,160	84,375	41,674
09/11/2034	104,413	24,017	35,979	7,232	85,219	40,852
09/11/2035	105,457	24,257	36,339	7,304	86,071	40,045
09/11/2036	106,512	24,500	36,702	7,377	86,933	39,251
07/19/2037	91,661	21,084	31,585	6,349	74,811	32,778
Totals	\$ 2,626,140	\$ 604,052	\$ 904,922	\$ 181,905	\$ 2,143,365	\$ 1,424,120

**Evaluation of Pre-Trial Medical Costs
Plaintiff: Jason A. Exemplar**

Date	Care Provider	Description of Cost	Total Amount	Present Value
08/03/2005	Acme Ambulance Service	Transportation to Emergency Room	\$ 7,307.00	\$ 8,881.70
08/03/2005	Alameda County General Hospital	Intensive Care & Hospital Stay	19,285.00	23,441.04
08/03/2005	Alameda County General Hospital	Emergency Room Care	17,324.00	21,057.43
08/03/2005	Willis I. Feelgood, M.D.	Medical diagnosis and care	3,257.00	3,958.90
11/21/2005	Alameda Rehabilitation	Physical Therapy Program	1,600.00	1,944.81
12/27/2005	Willis I. Feelgood, M.D.	Office Visits	1,200.00	1,458.61
08/03/2006	Willis I. Feelgood, M.D.	Office Visits	1,200.00	1,389.15
08/03/2007	Willis I. Feelgood, M.D.	Office Visits	1,200.00	1,323.00
08/03/2008	Willis I. Feelgood, M.D.	Office Visits	1,200.00	1,260.00
Totals			\$ 53,573.00	\$ 64,715.00

Detail of Future Medical Costs
Plaintiff: Jason A. Exemplar

From	To	Description of Cost	Annual Amount	Growth Rate	Discount Rate
09/11/2009	08/21/2052	Office Visits	\$ 1,200	1.5%	3.0%
09/11/2009	08/21/2052	Knee Replacement	25,500	1.5%	3.0%
09/11/2016		Knee Replacement	25,500	1.5%	3.0%
09/11/2023		Knee Replacement	25,500	1.5%	3.0%
09/11/2030		Knee Replacement	25,500	1.5%	3.0%
09/11/2037		Knee Replacement	25,500	1.5%	3.0%
09/11/2044		Knee Replacement	25,500	1.5%	3.0%
09/11/2051		Knee Replacement	25,500	1.5%	3.0%
09/11/2007	03/02/2052	Prescription Medicine	1,200	1.5%	3.0%

Evaluation of Future Medical Care by Year
Plaintiff: Jason A. Exemplar

Year Ending	Annual Expenses	Present Value
09/11/2010	\$ 27,936	\$ 27,936
09/11/2011	2,473	2,401
09/11/2012	2,510	2,366
09/11/2013	2,548	2,332
09/11/2014	2,586	2,298
09/11/2015	2,625	2,264
09/11/2016	2,664	2,231
09/11/2017	31,004	25,209
09/11/2018	2,745	2,167
09/11/2019	2,786	2,136
09/11/2020	2,828	2,105
09/11/2021	2,871	2,075
09/11/2022	2,914	2,043
09/11/2023	2,958	2,014
09/11/2024	34,411	22,750
09/11/2025	3,048	1,956
09/11/2026	3,094	1,928
09/11/2027	3,141	1,900
09/11/2028	3,188	1,872
09/11/2029	3,236	1,845
09/11/2030	3,285	1,819
09/11/2031	38,192	20,531
09/11/2032	3,384	1,766
09/11/2033	3,435	1,740
09/11/2034	3,486	1,715
09/11/2035	3,539	1,690
09/11/2036	3,592	1,665
09/11/2037	3,646	1,642
09/11/2038	42,389	18,528
09/11/2039	3,756	1,594
09/11/2040	3,813	1,571
09/11/2041	3,870	1,548
09/11/2042	3,928	1,525
09/11/2043	3,987	1,503
09/11/2044	4,046	1,481
09/11/2045	47,045	16,719
09/11/2046	4,168	1,438

Evaluation of Future Medical Care by Year
Plaintiff: Jason A. Exemplar

Year Ending	Annual Expenses	Present Value
09/11/2047	\$ 4,231	\$ 1,417
09/11/2048	4,294	1,397
09/11/2049	4,359	1,376
09/11/2050	4,424	1,356
09/11/2051	4,491	1,336
08/21/2052	50,864	14,697
Totals	\$ 393,790	\$ 211,882

**Detail of Other Damages
Plaintiff: Jason A. Exemplar**

Other/General Pre-Trial Damages

Date	Description of Cost	Amount	Present Value
08/03/2005	Damage to Auto	\$ 37,459	\$ 45,532
02/01/2006	Rehab Counseling and Testing	12,000	13,892
	Totals	\$ 49,459	\$ 59,424

Other/General Future Damages

From	To	Description of Cost	Annual Amount	Growth Rate	Discount Rate
09/11/2009	09/11/2013	Tuition	\$ 23,479	.0%	3.0%

**Evaluation of Other Future Damages by Year
Plaintiff: Jason A. Exemplar**

Year Ending	Annual Expenses	Present Value
09/11/2010	\$ 23,479	\$ 23,479
09/11/2011	23,479	22,795
09/11/2012	23,479	22,131
09/11/2013	23,479	21,487
Totals	\$ 93,916	\$ 89,892

Occupations Catalog Selections
Plaintiff: Jason A. Exemplar

Occupation Beginning 1/1/2007

Occupation Name: Social and Community Service Managers(119151)

Base Wage Rate: \$ 39,666, the tenth percentile wage for all workers in this occupation*

* Wage information from Occupational Employment Statistics for San Francisco-Oakland-Fremont, CA from the Division of Occupational Employment Statistics, U.S. Bureau of Labor Statistics, May, 2006.

Fringe Benefits Choice Information
Plaintiff: Jason A. Exemplar

Value of Fringe Benefits Plaintiff Would Have Earned
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Occupation	Human Resources Manager	
Job Date	08/03/2005	
Company Group	All Non-manufacturing	
Industry	Finance & Insurance	
Fringe Benefit	Percent of Earnings*	Annual Value
Federally-Required Payroll Taxes	7.7%	\$ 2,188
Unemployment Compensation	2.2%	625
Workers' Compensation Insurance	.5%	142
Payments for Holidays		
Paid Breaks, Etc.		
Sick Leave Pay		
Payments for Vacations		
Paid Time Off		
Family and Medical Leave Pay		
STD, Sickness or Accident Insurance		
LTD or Wage Continuation	.5%	142
Medical Insurance Premiums	9.0%	2,557
Dental Insurance Premiums	.8%	227
Vision Care		
Retiree Medical Insurance Premiums		
Life Insurance and Death	.5%	142
Prescription Drug Coverage		
Defined Benefit Pension Plan		
Cash Balance or Other Hybrid Plan		
401K and similar	3.7%	1,051
Profit-Sharing		
Stock Bonus/ESOPs		
Severance Pay		
Child Care		
Employee Education Expenditures		
Employee Relocation Reimbursement		
Administrative and Other		
Totals - Annual Value	24.9%	\$ 7,075

* Fringe Benefits information from "2008 Employee Benefits Study", U.S. Chamber of Commerce, Statistics and Research Center.

Fringe Benefits Choice Information
Plaintiff: Jason A. Exemplar

Value of Fringe Benefits Plaintiff Will Now Earn
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Occupation	Social and Community Service Managers(119151)	
Job Date	01/01/2007	
Company Group	Retail Trade	
Industry	Hospitality (lodging, restaurants, recreation & en	
Fringe Benefit	Percent of Earnings*	Annual Value
Federally-Required Payroll Taxes	6.%	\$ 2,380
Unemployment Compensation	.5%	198
Workers' Compensation Insurance	.6%	238
Payments for Holidays		
Paid Breaks, Etc.		
Sick Leave Pay		
Payments for Vacations		
Paid Time Off		
Family and Medical Leave Pay		
STD, Sickness or Accident Insurance		
LTD or Wage Continuation	.2%	79
Medical Insurance Premiums	3.5%	1,388
Dental Insurance Premiums	.1%	40
Vision Care		
Retiree Medical Insurance Premiums		
Life Insurance and Death	.1%	40
Prescription Drug Coverage		
Defined Benefit Pension Plan		
Cash Balance or Other Hybrid Plan		
401K and similar	1.6%	635
Profit-Sharing		
Stock Bonus/ESOPs		
Severance Pay		
Child Care		
Employee Education Expenditures		
Employee Relocation Reimbursement		
Administrative and Other		
Totals - Annual Value	12.6%	\$ 4,998

* Fringe Benefits information from "2008 Employee Benefits Study", U.S. Chamber of Commerce, Statistics and Research Center.

Detail of Household Services

Plaintiff: Jason A. Exemplar

Multiple Adult Family

Number of Children: 1

Dates of Birth:

8/15/1999

Dependent Until:

2017

Household Production Information - Pre-injury

Date From	Date To	Source	Work Status	Employment Hrs./Week	HHold Work Hrs./Week	Hourly Pay Rate	Annual Amount	Pay Rate Adjustment
08/03/2005	08/21/2052	DVD*	Full Time	40	22.5	\$ 11.51	\$ 13,461	100.0%

Categories of household work used in the calculations for this table are:

- | | |
|---------------------------------------|--|
| Inside Housework | Food Cooking & Clean-up |
| Pets, Home & Vehicles | Household Management |
| Shopping | Obtaining Services |
| Travel for Household Activity | Caring and Helping - Household Children |
| Caring and Helping - Household Adults | Caring and Helping - Non-household Members |
| Travel for Household Members | Travel for Non-household Members |

Household Production Information - Post-injury
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Date From	Date To	Source	Work Status	Employment Hrs./Week	HHold Work Hrs./Week	Hourly Pay Rate	Annual Amount	Pay Rate Adjustment
08/03/2005	08/21/2052	DVD*	Disabled	40	8.4	\$ 12.06	\$ 5,274	100.0%

Categories of household work used in the calculations for this table are:

- | | |
|---|---------------------------------------|
| Pets, Home & Vehicles | Household Management |
| Caring and Helping - Household Children | Caring and Helping - Household Adults |

* Expectancy Data "The Dollar Value of a Day: 2005 Dollar Valuation". Shawnee Mission, Kansas, 2006 for Married males that work full-time, wife works, youngest child under age 13

Lost Production of Household Services

Plaintiff: Jason A. Exemplar

Household Production Information

Year Ending	Pre-Injury Household Production				Post-Injury Household Production				Total Loss			
	Status*	Weekly Hours	Pay Rate	Annual Value	Status*	Weekly Hours	Pay Rate	Annual Value	Difference	Present Value	Dep. Kids	Age of Youngest
12/31/2005	2	22.5	\$11.51	\$ 5,532	15	8.4	\$12.06	\$ 2,167	\$ 3,365	\$ 4,090	1	6
12/31/2006	2	22.5	11.51	14,026	15	8.4	12.06	5,496	8,530	9,875	1	7
12/31/2007	2	22.5	11.51	14,531	15	8.4	12.06	5,694	8,837	9,743	1	8
12/31/2008	2	22.5	11.51	15,054	15	8.4	12.06	5,899	9,155	9,613	1	9
09/11/2009	2	22.5	11.51	10,853	15	8.4	12.06	4,253	6,600	6,600	1	10
09/11/2010	2	22.5	11.51	13,946	15	8.4	12.06	5,464	8,482	8,482	1	11
09/11/2011	2	22.5	11.51	14,085	15	8.4	12.06	5,519	8,566	8,317	1	12
09/11/2012	5	18.0	11.82	11,703	15	8.4	12.06	5,574	6,129	5,777	1	13
09/11/2013	5	18.0	11.82	11,820	15	8.4	12.06	5,630	6,190	5,665	1	14
09/11/2014	5	18.0	11.82	11,938	15	8.4	12.06	5,686	6,252	5,555	1	15
09/11/2015	5	18.0	11.82	12,057	15	8.4	12.06	5,743	6,314	5,447	1	16
09/11/2016	5	18.0	11.82	12,178	15	8.4	12.06	5,800	6,378	5,341	1	17
09/11/2017	8	15.9	11.82	10,877	15	8.4	12.06	5,858	5,019	4,081	0	0
09/11/2018	8	15.9	11.82	10,986	15	8.4	12.06	5,917	5,069	4,002	0	0
09/11/2019	8	15.9	11.82	11,096	15	8.4	12.06	5,976	5,120	3,924	0	0
09/11/2020	8	15.9	11.82	11,207	15	8.4	12.06	6,036	5,171	3,848	0	0
09/11/2021	8	15.9	11.82	11,319	15	8.4	12.06	6,096	5,223	3,773	0	0
09/11/2022	8	15.9	11.82	11,432	15	8.4	12.06	6,157	5,275	3,700	0	0
09/11/2023	8	15.9	11.82	11,546	15	8.4	12.06	6,219	5,327	3,627	0	0
09/11/2024	8	15.9	11.82	11,661	15	8.4	12.06	6,281	5,380	3,557	0	0
09/11/2025	8	15.9	11.82	11,778	15	8.4	12.06	6,344	5,434	3,488	0	0
09/11/2026	8	15.9	11.82	11,896	15	8.4	12.06	6,407	5,489	3,421	0	0
09/11/2027	8	15.9	11.82	12,015	15	8.4	12.06	6,471	5,544	3,354	0	0
09/11/2028	8	15.9	11.82	12,135	15	8.4	12.06	6,536	5,599	3,289	0	0
09/11/2029	8	15.9	11.82	12,256	15	8.4	12.06	6,601	5,655	3,225	0	0
09/11/2030	8	15.9	11.82	12,379	15	8.4	12.06	6,667	5,712	3,163	0	0
09/11/2031	8	15.9	11.82	12,503	15	8.4	12.06	6,734	5,769	3,101	0	0
09/11/2032	8	15.9	11.82	12,628	15	8.4	12.06	6,801	5,827	3,041	0	0
09/11/2033	8	15.9	11.82	12,754	15	8.4	12.06	6,869	5,885	2,982	0	0
09/11/2034	8	15.9	11.82	12,882	15	8.4	12.06	6,938	5,944	2,924	0	0
09/11/2035	8	15.9	11.82	13,011	15	8.4	12.06	7,007	6,004	2,868	0	0
09/11/2036	8	15.9	11.82	13,141	15	8.4	12.06	7,077	6,064	2,812	0	0
09/11/2037	8	15.9	11.82	13,272	15	8.4	12.06	7,148	6,124	2,757	0	0
09/11/2038	8	15.9	11.82	13,405	16	13.2	12.55	11,794	1,611	704	0	0
09/11/2039	8	15.9	11.82	13,539	16	13.2	12.55	11,912	1,627	690	0	0
09/11/2040	8	15.9	11.82	13,674	16	13.2	12.55	12,031	1,643	677	0	0
09/11/2041	19	26.3	11.92	23,017	19	13.2	12.52	12,096	10,921	4,368	0	0
09/11/2042	19	26.3	11.92	23,247	19	13.2	12.52	12,217	11,030	4,283	0	0
09/11/2043	19	26.3	11.92	23,479	19	13.2	12.52	12,339	11,140	4,200	0	0
09/11/2044	19	26.3	11.92	23,714	19	13.2	12.52	12,462	11,252	4,119	0	0
09/11/2045	19	26.3	11.92	23,951	19	13.2	12.52	12,587	11,364	4,039	0	0
09/11/2046	19	26.3	11.92	24,191	19	13.2	12.52	12,713	11,478	3,960	0	0
09/11/2047	19	26.3	11.92	24,433	19	13.2	12.52	12,840	11,593	3,883	0	0
09/11/2048	19	26.3	11.92	24,677	19	13.2	12.52	12,968	11,709	3,808	0	0

Lost Production of Household Services, Continued

Plaintiff: Jason A. Exemplar

Year Ending	Pre-Injury Household Production				Post-Injury Household Production				Total Loss			
	Status*	Weekly Hours	Pay Rate	Annual Value	Status*	Weekly Hours	Pay Rate	Annual Value	Difference	Present Value	Dep. Kids	Age of Youngest
09/11/2049	19	26.3	11.92	24,924	19	13.2	12.52	13,098	11,826	3,734	0	0
09/11/2050	19	26.3	11.92	25,173	19	13.2	12.52	13,229	11,944	3,662	0	0
09/11/2051	20	21.3	11.87	20,503	20	10.7	12.67	10,976	9,527	2,836	0	0
08/21/2052	20	21.3	11.87	22,054	20	10.7	12.67	11,809	10,245	2,960	0	0
Totals				\$724,478				\$384,136	\$340,342	\$203,365		

* Explanation of values in Status Columns and sources of information

Pre-injury

- 2 - Married males that work full-time, wife works, youngest child under age 13
- 5 - Married males that work full-time, wife works, youngest child ages 13 to 17
- 8 - Married males that work full-time, wife works, no children under age 18
- 19 - All married retired males, ages 65 to 75
- 20 - All married retired males, over age 75

Post-injury

- 15 - Married males under age 62 that are disabled and not in the labor force
- 16 - All married retired males
- 19 - All married retired males, ages 65 to 75
- 20 - All married retired males, over age 75

Explanations and Assumptions
Plaintiff: Jason A. Exemplar

Mr. Exemplar plans to enroll in graduate school to earn a degree in Social Work after the trial.

Understanding This Report

Loss Calculations

The economic loss sustained by the plaintiff as the result of an injury is composed of the loss of income earned from his/her job or occupation, the lost fringe benefits that are part of that income stream, and the loss of household services that s/he would have performed had the injury not occurred. These losses are mitigated by the income earned after the injury (including the fringe benefits earned during this time), and the household services the plaintiff has been able to perform. In addition, there may be medical costs, both past and future, and other damages or costs that have occurred or which can be predicted to occur in the future.

The Summary page of the report shows the results of the calculation of these damages. The Damages Summary is divided into Present Values and Future Values. Future values, to an economist, are the unadjusted, actual stream of payments (costs) stretching into the future or into the past. The present value of each of these future payments is the amount it would take, if invested today with interest compounded, to equal the amount of the payment at the point it is to be made. Similarly, the present value of past payments is the amount it would have become had it been invested at the point it would have been made. These individual payment streams are then added to give the individual totals, which are added to give the past, future and grand totals.

Interest and Discount Rates

This report takes into account lost income and injury related costs for both the time between the injury and the trial or settlement (pre-trial or past) and for the time after the trial or settlement (future). Costs already incurred are compounded to the time of trial by the pre-trial loss compound rate, which is used to calculate the present value of past damages. This estimates a minimum value to the plaintiff of the earnings lost in the past.

The method used to project the future lost income and costs is called the "constant-dollar" method. In plain English, this means that the dollars to be received in the future are assumed to have the same average purchasing power as dollars received today. Although this will most likely not be the case in reality, there are certain advantages to ignoring the inflation that will probably take place.

The most important advantage is that we are spared the hopeless task of trying to predict future rates of inflation. These future inflation rates affect all the projected variables: namely, income, costs and interest rates. Although future inflation rates are unpredictable, inflation affects these other variables in roughly the same way. Consequently they all tend to move together. Thus, even though any one of the variables, considered alone, is difficult to predict, the relationship among the three variables is quite stable, and therefore, predictable.

On the page labeled "Evaluation of Future Damage to Earnings by Year", the second column lists the constant-dollar earnings the plaintiff would have had, growing at the rate shown in the "Growth" column of the page titled "Detail of Future Lost Earnings, Fringes, Household Services and Growth". This

Understanding This Report (Continued)

growth rate is the rate by which income growth is expected to exceed inflation, expressed in percentage points.

In recent years, earnings have grown an average of one to two percentage points per year faster than inflation; hence one percent is the program default value. Medical costs have grown about 1.5% per year faster than inflation, so the program defaults to that rate for medical costs. Non-medical costs are projected to increase at a rate equal to the rate of inflation, so the default value for the growth of other, non-medical costs is zero.

Now, since we have removed the inflation component from projected income and from projected costs, we must also remove the inflation component from the interest rate used to discount future dollars to present value.

While there is disagreement among economists concerning the "true" zero-inflation rate of interest, most would agree that it lies in the range of 2% to 4%. The default for the program uses the average between these figures. The "Present Value of Loss" column is calculated using the 3% rate.