

EXAMPLE OF A PRO-RATA CALCULATION

SCENARIO

Father dies in an accident. He was an earner receiving \$40,000 gross per year. His wife and four children survive him. The children are aged 18, 16, 13 & 9.

WEEKLY COMPENSATION CALCULATION

$\$40,000 \div 52 = \769.23 (relevant earnings)

$\$769.23 \times 80\% = \615.38 (weekly compensation payable had the father survived)

FATAL ENTITLEMENT CALCULATION

$\$615.38 \times 60\% = \369.23 (spouse)

$\$615.38 \times 20\% = \123.08 (per child)

One spouse and four children add up to \$861.55. As this exceeds 100% of the entitlement payable to the father had he survived, the 'pro-rata' calculation must be done.

PRO-RATA CALCULATION

A = dollar amount the spouse and four children would receive if there was no excess.

B = total percentages that the spouse and four children are entitled to i.e. 60% for spouse and 20% for each child.

C = the new amount of the reduced entitlement for that individual person.

$$\frac{A}{B} \times 100 = C$$

A = 1 Spouse = $\$615.38 \times 60\% = \369.23
4 children $\$615.38 \times 20\% = \123.08 per child

B = 1 spouse 60% = 60%
4 Children @ 20% each = 80%
140%

Reduced amounts (C)

For the spouse $(\$369.23 \div 140) \times 100 = \263.74

For each of the children $(\$123.08 \div 140) \times 100 = \87.91

Sum of the resulting amounts

1 spouse @ \$263.74 = \$263.74

4 children @ \$87.91 = \$351.64

Total = \$615.38 (same as the weekly compensation payable to the father had he survived his accident)

Accidental Death Unit – Pro-rata calculation of weekly compensation

When the oldest child reaches the end of their entitlement to weekly compensation, that is, the end of the year in which they turn 18 years of age, the pro-rata calculation is re-done:

Now there are one spouse and three children continuing to receive weekly compensation.

The 'Pro-rata' formulae of: $\frac{A}{B} \times 100 = C$ remains the same as before

However the total values of A and B have changed.

A = 1 Spouse = $\$615.38 \times 60\% = \369.23
3 children $\$615.38 \times 20\% = \123.08 per child

B = 1 spouse 60% = 60%
3 Children @ 20% each = 60%
120%

Reduced amounts (C)

For the spouse $(\$369.23 \div 120) \times 100 = \307.67

For each of the children $(\$123.08 \div 120) \times 100 = \102.57

Sum of the resulting amounts

1 spouse @ $\$263.74$ = $\$307.67$

3 children @ $\$87.91$ = $\$307.71$

Total = $\$615.38$ (same as the weekly compensation payable to the father had he survived his accident)

When the next eldest child reaches the end of their entitlement to weekly compensation, the pro-rata calculation does not have to be re-done again, because now there are one spouse and two children:

1 spouse 60% = 60%
2 Children @ 20% each = 40%
100%

So now the spouse receives the normal 60%, and each child receives the normal 20%, of the 80% to which the father would have been entitled to had he survived his accident.