

Analyzing a Report of Kent Jayne

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Analyzing a Report of Kent Jayne

- Based on a real case that has since settled.
- Case name has been changed to “Smith versus Brown” to conceal the identities of the plaintiff and defendant.

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Analyzing a Report of Kent Jayne: Two Objectives Today

- Give you an understanding of Jayne's calculations.
- Review my response.

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Facts Underlying the Case

- Smith injured Dec-2010 in a MVA at age of 54.
- Smith operated a cattle farm and a business that refurbished over-the-road trucks for resale.
- Smith claimed he needs
 - 1 full-time laborer to perform work on farm he is unable to perform.
 - 1 full-time truck mechanic to perform work in truck refurbishing business he is unable to perform.

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Jayne's Report

- Nineteen page memo
 - 15 pages of vocational and life-care needs assessment.
 - 4 pages of economic analysis.
- Four pages of attachments
 - 3 summary tables (one sheet: past lost earnings, future lost earnings, and future life care needs).
 - a schedule of life care needs (drugs and medical follow up).
 - 2 tables showing year-by-year calculation of present value of life care costs and of earnings loss.

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Jayne's Report – **Items of Interest**

- Nineteen page memo
 - 15 pages of vocational and life-care needs assessment.
 - **4 pages of economic analysis.**
- Four pages of attachments
 - 3 summary tables (one sheet: past lost earnings, **future lost earnings**, and future life care needs).
 - a schedule of life care needs (drugs and medical follow up).
 - **2 tables showing year-by-year calculation of present value of life care costs and of earnings loss.**

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Jayne's Loss Estimates

- Claims tax returns are not useful in determining Smith's economic loss.
- Loss based on sum of average salary of the two employees that Smith claimed he requires.
 - \$81,083 per year, including 18 percent for employer-paid benefits.
 - Loss calculated with certainty out to age 70 and 75.
 - Based on NDR of 1.5 percent.
- Present value of life care costs
 - Calculated with certainty out to age 80 (age + remaining life expectancy).
 - NDR for prescription medication = 0.82 percent.
 - NDR for Neuro/PCP/Chiropractor/Physical Therapy = 0.09 percent.

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Other Information in Jayne's Report

- Average wage growth, interest rates, and inflation rates calculated over two periods: 1970-2010 & 1991-2010.
- Wage growth based on all non-agricultural hourly earnings.
- Three interest rate measures:
 - 6-month Treasuries
 - 10-year Treasuries
 - Municipal bonds
- Four CPIs:
 - All Items
 - Medical Care
 - Prescription Medication
 - Medical Commodities

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Other Information in Jayne's Report (Continued)

- Eight net discount rates:

	<u>1970-2010</u>	<u>1991-2010</u>
Earnings ¹	1.26%	0.37%
Medical Care ²	0.09%	0.80%
Prescription Medication ²	0.82%	1.11%
Medical Commodities ²	1.47%	1.91%

¹Based on 6-month Treasuries.

²Based on municipal bonds.

("Based on" conclusions are the result of analysis -- basis is not stated in the report.)

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Other Information in Jayne's Report (Continued)

- Eight net discount rates:

	<u>1970-2010</u>	<u>1991-2010</u>
Earnings ¹	1.26%	0.37%
Medical Care ²	0.09%	0.80%
Prescription Medication ²	0.82%	1.11%
Medical Commodities ²	1.47%	1.91%

¹Based on 6-month Treasuries.

²Based on municipal bonds.

- Used 1970-2010 averages for life care costs. **(Lowest of the two sets of averages.)**
- Used 1.5% NDR for earnings.

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Jayne's 1.5% NDR for Earnings

- NDRs based on Jayne's three interest rate measures:

	<u>1970-2010</u>	<u>1991-2010</u>
6-month Treasuries	1.26%	0.37%
10-Year Treasuries	2.78%	2.13%
Municipal Bonds	1.98%	2.08%

Jayne's 1.5% NDR for Earnings

- NDRs based on Jayne's three interest rate measures:

	<u>1970-2010</u>	<u>1991-2010</u>
6-month Treasuries	1.26%	0.37%
10-Year Treasuries	2.78%	2.13%
Municipal Bonds	1.98%	2.08%

- No explanation for 1.5% NDR but clearly based on short-term Treasuries and 1970-2010 period.

Jayne's Summary Table for Future Earnings Loss

TABLE II
PRESENT VALUE OF DIMINISHED EARNINGS
CAPACITY TO VARIOUS AGES

<u>Age</u>	
70	\$ 1,057,596
75	\$ 1,366,314

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Jayne's Summary Table for Future Earnings Loss

TABLE II
PRESENT VALUE OF DIMINISHED EARNINGS
CAPACITY TO VARIOUS AGES

<u>Age</u>	
70	\$ 1,057,596
75	\$ 1,366,314

- **No disclaimer that these are “examples”; anchors jury’s attention to midpoint.**

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Jayne's Year-by-Year Table for Future Life Care Costs

PRESENT VALUE OF FUTURE PARTIAL
CARE NEEDS AS
PRESENTLY UNDERSTOOD
BOB SMITH
D.O.B. - 11/24/56
D.O.I. - 12/06/10
from 07/01/12
NDR'S: RX MEDS 0.82%; MED CARE 0.08%; MED COMM. 1.47%; PCA 1.91%

COUNT	YEAR	AGE	PV RX MEDS	PV NEURO/PCP	PV CHIROPRACTIC	PV PHYS. THER.	CUMULATIVE PV
0	2012	55	\$4,503.50	\$219.00	\$1,632.00	\$4,032.00	\$10,386.50
1	2013	56	\$8,933.74	\$437.61	\$3,261.07	\$8,056.75	\$31,075.66
2	2014	57	\$8,861.08	\$437.21	\$3,258.13	\$8,049.50	\$51,681.60
:	:	:	:	:	:	:	:
:	:	:	:	:	:	:	:
22	2034	77	\$7,525.80	\$429.42	\$3,200.04	\$7,905.97	\$447,212.20
23	2035	78	\$7,464.59	\$429.03	\$3,197.16	\$7,898.86	\$466,201.85
24	2036	79	\$6,663.49	\$385.78	\$2,874.86	\$7,891.76	\$484,017.74
SUB-TOTAL			\$199,265.22	\$10,570.79	\$78,774.12	\$195,407.60	
TOTAL				\$484,017.74			

Values in red are based on 328.5 days out of 365.

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Jayne's Year-by-Year Table for Future Lost Earnings

PRESENT VALUE
DIMINISHED EARNINGS CAPACITY
REPLACEMENT COSTS
BOB SMITH
D.O.B. - 11/24/56
D.O.I. - 12/06/10
NDR: 1.50%
FROM: 07/01/12

COUNT	YEAR	AGE	ANNUAL LOSS	ANNUAL PV	CUM PV	DESC CUM PV	tax comparison tax on interest 20% eff. rte.	tax on earnings 20% eff. rte.
0	2012	55	\$40,541.50	\$40,541.50	\$40,541.50	\$1,366,314.03	\$15,521.33	\$8,108.30
1	2013	56	\$81,083.00	\$79,884.73	\$120,426.23	\$1,325,772.53	\$15,060.78	\$15,976.95
2	2014	57	\$81,083.00	\$78,704.17	\$199,130.40	\$1,245,887.81	\$14,153.29	\$15,740.83
:	:	:	:	:	:	:	:	:
:	:	:	:	:	:	:	:	:
16	2028	71	\$81,083.00	\$63,895.92	\$1,186,346.78	\$243,863.17	\$2,770.29	\$12,779.18
17	2029	72	\$81,083.00	\$62,951.65	\$1,249,298.43	\$179,967.25	\$2,044.43	\$12,590.33
18	2030	73	\$81,083.00	\$62,021.33	\$1,311,319.75	\$117,015.61	\$1,329.30	\$12,404.27
19	2031	74	\$72,974.70	\$54,994.28	\$1,366,314.03	\$54,994.28	\$624.74	\$10,998.86
TOTALS						\$0.00	\$0.00	\$0.00
TOTALS to age								
			70	\$1,057,596.50			\$148,479.57	\$211,519.30
			75	\$1,366,314.03			\$158,755.35	\$273,262.81

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Jayne's Year-by-Year Table for Future Lost Earnings

PRESENT VALUE
DIMINISHED EARNINGS CAPACITY
REPLACEMENT COSTS
BOB SMITH
D.O.B. - 11/24/56
D.O.I - 12/06/10
NDR: 1.50%
FROM: 07/01/12

COUNT	YEAR	AGE	ANNUAL LOSS	ANNUAL PV	CUM PV	DESC CUM PV	tax comparison	
							tax on interest 20% eff. rte.	tax on earnings 20% eff. rte.
0	2012	55	\$40,541.50	\$40,541.50	\$40,541.50	\$1,366,314.03	\$15,521.33	\$8,108.30
1	2013	56	\$81,083.00	\$79,884.73	\$120,426.23	\$1,325,772.53	\$15,060.78	\$15,976.95
2	2014	57	\$81,083.00	\$78,704.17	\$199,130.40	\$1,245,887.81	\$14,153.29	\$15,740.83
:	:	:	:	:	:	:	:	:
:	:	:	:	:	:	:	:	:
16	2028	71	\$81,083.00	\$63,895.92	\$1,186,346.78	\$243,863.17	\$2,770.29	\$12,779.18
17	2029	72	\$81,083.00	\$62,951.65	\$1,249,298.43	\$179,967.25	\$2,044.43	\$12,590.33
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19	2031	74	\$72,974.70	\$54,994.28	\$1,366,314.03	\$54,994.28	\$624.74	\$10,998.86
						\$0.00	\$0.00	\$0.00
			TOTALS to age					
			70	\$1,057,596.50				
			75	\$1,366,314.03				

← Again, no disclaimer that these are only examples.

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Jayne's Year-by-Year Table for Future Lost Earnings

PRESENT VALUE
DIMINISHED EARNINGS CAPACITY
REPLACEMENT COSTS
BOB SMITH
D.O.B. - 11/24/56
D.O.I - 12/06/10
NDR: 1.50%
FROM: 07/01/12

Last 3 columns deserve special scrutiny.

COUNT	YEAR	AGE	ANNUAL LOSS	ANNUAL PV	CUM PV	DESC CUM PV	tax comparison	
							tax on interest 20% eff. rte.	tax on earnings 20% eff. rte.
0	2012	55	\$40,541.50	\$40,541.50	\$40,541.50	\$1,366,314.03	\$15,521.33	\$8,108.30
1	2013	56	\$81,083.00	\$79,884.73	\$120,426.23	\$1,325,772.53	\$15,060.78	\$15,976.95
2	2014	57	\$81,083.00	\$78,704.17	\$199,130.40	\$1,245,887.81	\$14,153.29	\$15,740.83
:	:	:	:	:	:	:	:	:
:	:	:	:	:	:	:	:	:
16	2028	71	\$81,083.00	\$63,895.92	\$1,186,346.78	\$243,863.17	\$2,770.29	\$12,779.18
17	2029	72	\$81,083.00	\$62,951.65	\$1,249,298.43	\$179,967.25	\$2,044.43	\$12,590.33
18	2030	73	\$81,083.00	\$62,021.33	\$1,311,319.75	\$117,015.61	\$1,329.30	\$12,404.27
19	2031	74	\$72,974.70	\$54,994.28	\$1,366,314.03	\$54,994.28	\$624.74	\$10,998.86
						\$0.00	\$0.00	\$0.00
			TOTALS to age					
			70	\$1,057,596.50				
			75	\$1,366,314.03				

← Again, no disclaimer that these are only examples.

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**Jayne's Year-by-Year Table for
Future Lost Earnings
Last Three Columns**

- Not mentioned in report.

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**Jayne's Year-by-Year Table for
Future Lost Earnings
Last Three Columns**

- Not mentioned in report.
- Probably included for prophylactic purposes as defense against claim that plaintiff only lost after-tax income.
 - Based on assumed 20% tax rate.
 - Taxes on interest are less than taxes on earnings – net represents a reduction in the loss.

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Jayne's Year-by-Year Table for Future Lost Earnings Last Three Columns

- Not mentioned in report.
- Probably included for prophylactic purposes as defense against claim that plaintiff only lost after-tax income.
 - Based on assumed 20% tax rate.
 - Taxes on interest are less than taxes on earnings – net represents a reduction in the loss.

But wait, there's more!

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Jayne's Year-by-Year Table for Future Lost Earnings Last Three Columns

- Not mentioned in report.
- Probably included for prophylactic purposes as defense against claim that plaintiff only lost after-tax income.
 - Based on assumed 20% tax rate.
 - Taxes on interest are less than taxes on earnings – net represents a reduction in the loss.
 - **Interest income is based on 1970-2010 average 6-month T-bill rate of 5.68% .**

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Jayne's Year-by-Year Table for Future Lost Earnings First of the Last Three Columns

COUNT	YEAR	AGE	ANNUAL LOSS	ANNUAL PV	CUM PV	DESC CUM PV	tax comparison	
							tax on interest 20% eff. rte.	tax on earnings 20% eff. rte.
0	2012	55	\$40,541.50	\$40,541.50	\$40,541.50	\$1,366,314.03	\$15,521.33	\$8,108.30
1	2013	56	\$81,083.00	\$79,884.73	\$120,426.23	\$1,325,772.53	\$15,060.78	\$15,976.95
2	2014	57	\$81,083.00	\$78,704.17	\$199,130.40	\$1,245,887.81	\$14,153.29	\$15,740.83
:	:	:	:	:	:	:	:	:
:	:	:	:	:	:	:	:	:
16	2028	71	\$81,083.00	\$63,895.92	\$1,186,346.78	\$243,863.17	\$2,770.29	\$12,779.18
17	2029	72	\$81,083.00	\$62,951.65	\$1,249,298.43	\$179,967.25	\$2,044.43	\$12,590.33
18	2030	73	\$81,083.00	\$62,021.33	\$1,311,319.75	\$117,015.61	\$1,329.30	\$12,404.27
19	2031	74	\$72,974.70	\$54,994.28	\$1,366,314.03	\$54,994.28	\$624.74	\$10,998.86
						\$0.00	\$0.00	\$0.00

“DESC CUM PV” is descending cumulative present value.

For a given row, amount equals next row's value plus current row's annual present value.

$$\$242,863.17 = \$179,967.25 + \$63,895.92$$

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Jayne's Year-by-Year Table for Future Lost Earnings Second of the Last Three Columns

COUNT	YEAR	AGE	ANNUAL LOSS	ANNUAL PV	CUM PV	DESC CUM PV	tax comparison	
							tax on interest 20% eff. rte.	tax on earnings 20% eff. rte.
0	2012	55	\$40,541.50	\$40,541.50	\$40,541.50	\$1,366,314.03	\$15,521.33	\$8,108.30
1	2013	56	\$81,083.00	\$79,884.73	\$120,426.23	\$1,325,772.53	\$15,060.78	\$15,976.95
2	2014	57	\$81,083.00	\$78,704.17	\$199,130.40	\$1,245,887.81	\$14,153.29	\$15,740.83
:	:	:	:	:	:	:	:	:
:	:	:	:	:	:	:	:	:
16	2028	71	\$81,083.00	\$63,895.92	\$1,186,346.78	\$243,863.17	\$2,770.29	\$12,779.18
17	2029	72	\$81,083.00	\$62,951.65	\$1,249,298.43	\$179,967.25	\$2,044.43	\$12,590.33
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19	2031	74	\$72,974.70	\$54,994.28	\$1,366,314.03	\$54,994.28	\$624.74	\$10,998.86
						\$0.00	\$0.00	\$0.00

Tax on Interest = 5.68% x DESC CUM PV x 20%

$$\$2,770.29 = 5.68\% \times \$243,863.17 \times 20\%$$

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Derivation of the 5.68%

- Interest Earned = Tax on Interest ÷ 20% Tax Rate
- 5.68% = Interest Earned ÷ DESC CUM PV

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Derivation of the 5.68%

- Interest Earned = Tax on Interest ÷ 20% Tax Rate
- 5.68% = Interest Earned ÷ DESC CUM PV
- True for all rows:

COUNT	YEAR	Tax On Interest	Divided by 20% Equals Interest Earned	DESC CUM PV	Interest Earned Divided by DESC CUM PV
0	2012	\$15,521.33	\$77,606.64	\$1,366,314.03	5.68%
1	2013	\$15,060.78	\$75,303.88	\$1,325,772.53	5.68%
2	2014	\$14,153.29	\$70,766.43	\$1,245,887.81	5.68%
⋮	⋮	⋮	⋮	⋮	⋮
16	2028	\$2,770.29	\$13,851.43	\$243,863.17	5.68%
17	2029	\$2,044.43	\$10,222.14	\$179,967.25	5.68%
18	2030	\$1,329.30	\$6,646.49	\$117,015.61	5.68%
19	2031	\$624.74	\$3,123.68	\$54,994.28	5.68%

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Jayne's Year-by-Year Table for Future Lost Earnings Last of the Last Three Columns

COUNT	YEAR	AGE	ANNUAL LOSS	ANNUAL PV	CUM PV	DESC CUM PV	tax comparison	
							tax on interest 20% eff. rte.	tax on earnings 20% eff. rte.
0	2012	55	\$40,541.50	\$40,541.50	\$40,541.50	\$1,366,314.03	\$15,521.33	\$8,108.30
1	2013	56	\$81,083.00	\$79,884.73	\$120,426.23	\$1,325,772.53	\$15,060.78	\$15,976.95
2	2014	57	\$81,083.00	\$78,704.17	\$199,130.40	\$1,245,887.81	\$14,153.29	\$15,740.83
:	:	:	:	:	:	:	:	:
:	:	:	:	:	:	:	:	:
16	2028	71	\$81,083.00	\$63,895.92	\$1,186,346.78	\$243,863.17	\$2,770.29	\$12,779.18
17	2029	72	\$81,083.00	\$62,951.65	\$1,249,298.43	\$179,967.25	\$2,044.43	\$12,590.33
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19	2031	74	\$72,974.70	\$54,994.28	\$1,366,314.03	\$54,994.28	\$624.74	\$10,998.86
						\$0.00	\$0.00	\$0.00

Tax on Earnings = 20% x ANNUAL PV
\$12,779.18 = 20% x \$63,895.92

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Eight Initial Criticisms of Jayne's Report Dealing With:

- (1) Conceptual inconsistencies in methodology.
- (2) Jayne's estimate of annual earnings loss.
- (3) 18 percent employer-paid benefits factor.
- (4) Assumption that loss extends with certainty to age 70 or 75.
- (5) NDRs used to discount future life care costs to the present.
- (6) NDR used to discount future earnings loss to the present.
- (7) Failure to reduce earnings loss for taxes.
- (8) Projection of life care costs to age 80.

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Conceptual Inconsistencies in Methodology

- Loss with certainty until age 70/75 plus employer paid benefits (including payroll taxes) → attempt to replace lost business income.
- NDR of 1.5 percent based on risk-free Treasury rate → attempt to replace lost earnings capacity, or value of Smith's own labor.

Conceptual Inconsistencies in Methodology

- Loss with certainty until age 70/75 plus employer paid benefits (including payroll taxes) → attempt to replace lost business income.
- NDR of 1.5 percent based on risk-free Treasury rate → attempt to replace lost earnings capacity, or value of Smith's own labor.
- If the first, then NDR should reflect risk associated with business income → 2.84 to 13.59 percent; average = 8.22 percent.
(Low based on spread between 10-year Treasuries and corporate bonds. High based on spread between Treasuries and Ibbotson's equity & small-stock risk premia.)

Conceptual Inconsistencies in Methodology

- Loss with certainty until age 70/75 plus employer paid benefits (including payroll taxes) → attempt to replace lost business income.
- NDR of 1.5 percent based on risk-free Treasury rate → attempt to replace lost earnings capacity, or value of Smith's own labor.
- If the first, then NDR should reflect risk associated with business income → 2.84 to 13.59 percent; average = 8.22 percent.
- If the second, then the loss should reflect risks of death, injury, *etc.*, plus should only include the benefits that Smith's businesses actually provided.

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Jayne's Estimate of Annual Earnings Loss

- Assumption of two full-time workers based only on Smith's claim.
- Smith continues to operate farm and truck refurbishing business. Two full-time workers → assumption that Smith worked more than 80 hours per week on a year-round basis.

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Jayne's Estimate of Annual Earnings Loss

- Assumption of two full-time workers based only on Smith's claim.
- Smith continues to operate farm and truck refurbishing business. Two full-time workers → assumption that Smith worked more than 80 hours per week on a year-round basis.
- Without benefits and assuming 60 hours per week of lost labor → Jayne's \$81,083 is reduced to \$51,536.

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18% Employer-Paid Benefits Factor

- Setting aside validity of 18 percent factor, employer-paid benefits are only appropriate if loss estimate equals the labor needed to replace business income. If so, then NDR must reflect the appropriate risk.

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18% Employer-Paid Benefits Factor

- Setting aside validity of 18 percent factor, employer payroll taxes are only appropriate if loss estimate equals the labor needed to replace business income. If so, then NDR must reflect the appropriate risk.
- If objective is to replace value of Mr. Smith's labor, then loss estimate is overstated, since the actual lost benefits equal the benefits the business provided.
- This equals the cost of medical insurance only, about \$5,600 per year. (Jayne's 18 percent = \$12,369 per year.)

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Assumption That Loss Extends With Certainty to Age 70 or 75

- Ignored the probability that Smith might die in the future or leave the labor force for any other involuntary or voluntary reason.
- At a minimum, loss should be reduced for mortality risk since Smith cannot experience a loss unless he is alive.
- Jayne has assumed a remaining WLE of 16 years (age 70) and 21 years (age 75).
- WLE for a 54-year old initially active male with a HS diploma:

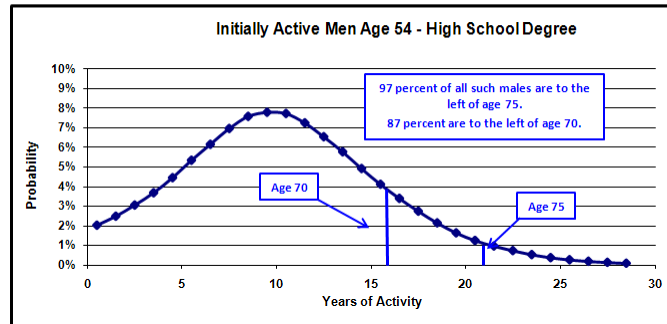
<u>Mean</u>	<u>75th Percentile</u>	<u>90th Percentile</u>
10.39	13.50	17.50

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Assumption That Loss Extends With Certainty to Age 70 or 75



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NDRs Used to Discount Future Life Care Costs to the Present

- Used NDR based on overly-broad medical care CPI when he should have used NDR based on
 - Physicians' Services CPI for PCP and neurologist.
 - Other Medical Professionals CPI for chiropractor and physical therapist.
- Relied on average from 1970-2010
 - Includes Paul Volcker's tenure as Fed chairman.
 - FOMC targeted money supply instead of interest rates.
 - 3-month and 10-year Treasuries ranged as high as 17 and 15 percent.
 - SHOW THEM A PICTURE

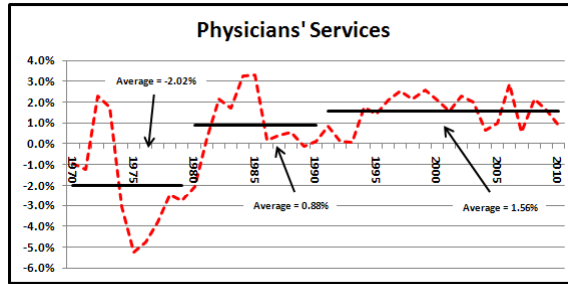
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NDRs Used to Discount Future Life Care Costs to the Present

Medical Net Discount Rate Based on High Grade Municipal Bonds



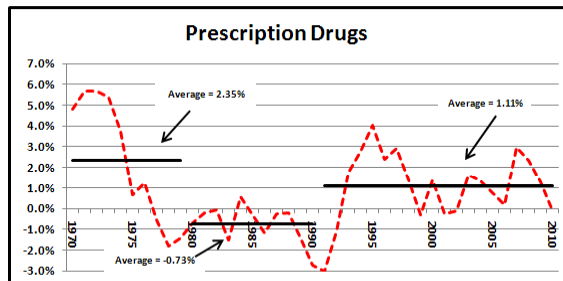
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NDRs Used to Discount Future Life Care Costs to the Present

Medical Net Discount Rate Based on High Grade Municipal Bonds



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NDRs Used to Discount Future Life Care Costs to the Present

- First period includes high-inflation seventies; second period covers Paul Volcker's Fed chairmanship; third period includes the "Great Moderation".
- NDRs are clearly different for all three periods.
- In the corrected estimates presented later, I relied on the third, most recent, period.

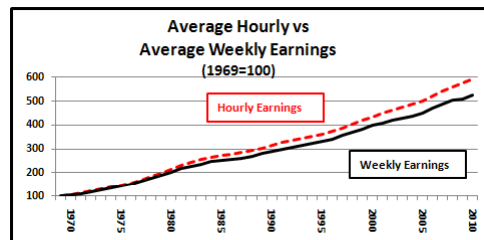
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NDR Used to Discount Future Earnings Loss to the Present

- Should be based on average weekly earnings rather than average hourly earnings:



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NDR Used to Discount Future Earnings Loss to the Present

- If NDR based on municipal bonds is sufficient for life-care expenses, then municipal bonds are sufficient basis for NDR used for earnings.

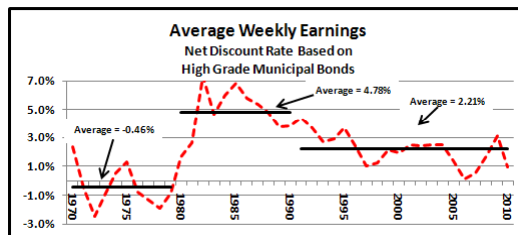
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NDR Used to Discount Future Earnings Loss to the Present

- If NDR based on municipal bonds is sufficient for life-care expenses, then municipal bonds are sufficient basis for NDR used for earnings.
- The NDR should not be based on 1970-2010 average:



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Failure to Reduce Earnings Loss for Taxes

- Earnings losses in Jayne's summary tables are not reduced for taxes even though Mr. Smith will only lose after-tax earnings and even though Jayne has estimated effect of taxes for future lost earnings.
- Earnings on interest is based on unrealistic 5.68% Treasury bill rate and consequently understates net tax effect.
- No reason for any taxes to be paid on interest if municipal bonds are used.

Projection of Life Care Costs to Age 80

- Unless some exceptionally large expense would be required after age 80, present value is overstated.
- Such life-contingent expenses should be extended to end of mortality table and reduced for mortality risk.

Corrected Loss Estimates

- NDRs based on municipal bonds, correct medical CPIs, average weekly earnings and 1991-2010 averages.
- Earnings loss based on WLE (uniform loading to SS retirement).
- Life-care expenses reduced for mortality risk to end of life table.
- Also calculated earnings losses out to age 70 and 75 (uniform loading based on 75th and 90th percentiles.)
- Calculated earnings loss as value of Smith's labor and as replacement of business income (8.22 percent NDR).

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Corrected Loss Estimates Future Care Costs

Decrease from Jayne's Loss Estimates

<u>Medical Prescriptions</u>	<u>Neurology/ PCP</u>	<u>Chiropractic</u>	<u>Physical Therapy</u>	<u>Total</u>
-7.3%	-19.8%	-26.9%	-27.2%	-18.8%

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Corrected Loss Estimates

Future Care Costs

Decrease from Jayne's Loss Estimates

	Medical Prescriptions	Neurology/ PCP	Chiropractic	Physical Therapy	Total
	-7.3%	-19.8%	-26.9%	-27.2%	-18.8%
Jayne's NDR:	0.82%	0.09%	0.09%	0.09%	
My NDR:	1.11%	1.56%	2.31%	2.31%	
With Certainty to Age 80	-3.3%	-15.8%	-22.5%	-22.8%	-14.6%
Incremental Effect of Mortality Adjustment	-4.0%	-4.0%	-4.4%	-4.3%	-4.2%

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Corrected Loss Estimates

Earnings Loss

Decrease from Jayne's Loss Estimates

<u>Earnings Loss Represents Replacement of Business Income</u>			<u>Earnings Loss Represents Value of Mr. Papke's Own Labor</u>		
Age 66.33*	Age 70	Age 75	Age 66.33*	Age 70	Age 75
-36.4%	-41.9%	-48.0%	-40.4%	-42.6%	-44.9%

*Decrease from truncation of Jayne's earnings loss estimates.

(Note that corrected loss estimates increase with age even though the decrease from Jayne's loss estimates is larger.)

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Corrected Loss Estimate Earnings Loss

Decrease from Jayne's Loss Estimates

<u>Earnings Loss Represents Replacement of Business Income</u>			<u>Earnings Loss Represents Value of Mr. Papke's Own Labor</u>		
Age 66.33*	Age 70	Age 75	Age 66.33*	Age 70	Age 75
-36.4%	-41.9%	-48.0%	-40.4%	-42.6%	-44.9%

*Decrease from truncation of Jayne's earnings loss estimates.

(Note that corrected loss estimates increase with age even though the decrease from Jayne's loss estimates is larger.)

Average of ages 66.63 & 70
Combined LCP and Earnings Loss Decrease =
\$625,000 or about 41%

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But wait, there's more!

- Reported 2011 truck refurbishing income increased 64% over 2004-2010 average.
- Excluding one-time gain from sale of property and miscellaneous income, and expressing past average in 2011 \$s, the increase was 57%.
- Contradicts Jayne's assumption that there was a loss.

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But wait, there's more!

- 2011 reported farm sales show a 3% increase over 2004-2010 average.
- Adjusting for national or local cattle prices → 20% decrease.

But wait, there's more!

- 2011 reported farm sales show a 3% increase over 2004-2010 average.
- Adjusting for national or local cattle prices → 20% decrease.
BUT WAIT!
- Cattle herd in state declined 5%.
- Decrease in Smith's scale of cattle operations may reflect market forces and/or increase in efforts expended in truck refurbishing business.
- Jayne's assumption that there was a loss due to Smith's injuries is still just an unproven assumption.



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