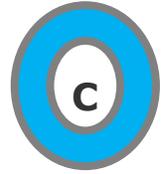




Caring | Compassionate | Compensation

RMA CIRCULAR

EFFECTIVE DATE : 01/08/2016
CIRCULAR REF NO : 1/2016



TECHNICAL COMMITTEE

EARNINGS DECLARATION FOR COMPENSATION PURPOSES

BACKGROUND:

The declaration of earnings for purposes of compensation for permanent disablement or death is governed by sections 51 and 63 of the Compensation for Occupational Injuries and Diseases Act (COIDA), 130 of 1993, as amended. These sections of the Act require that employers accurately report / declare the earnings to ensure that benefits payable under the Act are fair and equitable. The significance of accurate reporting of an employee’s earnings also forms the basis on which compensation for periodical payments are determined.

This circular seeks to highlight the significance of correct earnings declaration, and the implications of incorrect declaration of earnings

(A) DECLARATION OF EARNINGS AS PRESCRIBED BY SECTION 63

In terms of section 63 of COIDA, the Director-General, in order to determine compensation, shall calculate earnings to determine a monthly rate at which an employee was remunerated taking into account:

- (a) The value of any food or quarters supplied by the employer at the time of the accident; or
- (b) Overtime payment or other special remuneration in cash or in kind of a regular nature or for work ordinarily performed, excluding:
 - (i) Payment for intermittent overtime;
 - (ii) Payment for non-recurrent occasional services;
 - (iii) Amounts paid to an employee to cover any special expenses; and
 - (iv) Ex-gratia payments.

Accurate reporting of earnings

It is in light of the requirements of the legislation that earnings of employees must be declared in full as per section 63. It is therefore important, not only to declare the employees’ basic rate of pay, but all other allowances they receive as part of their remuneration with every injury or disease claim that is reported. Rand Mutual Assurance (RMA), as the administrators of compensation under this Act, may from time to time request documentary proof to verify the correctness of earnings declared.

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RMA Claim Forms / Statement of Earnings

To ensure accuracy of earnings declaration, RMA has developed a template to this end - Statement of Earnings – which is available in Excel format and is included as part of our claim forms. Earnings captured on C-Filing, RMA's online platform, are automatically captured onto the system embedded template.

Earnings declarations for compensation purposes comprise both Non-Variable Earnings and Variable Earnings.

Non-Variable Earnings are the employee's basic rate of pay (basic salary), housing allowance and annual bonus / incentive bonus.

Important Note: The annual bonus and/or incentive bonus (if applicable) must be divided by the number of months for which it is payable. For example, if it is paid annually then it must be divided by 12, if paid twice annually then it must be divided by six (6), or if paid quarterly i.e. every 3 months, then divided by three (3).

Variable Earnings however comprise the cumulative amounts the employee has received in the form of allowances during the past six (6) months prior to the date of the accident and/or date of diagnosis of the disease.

The cumulative amount in respect of allowances (e.g. overtime, production bonus, attendance bonus, underground bonus etc.) is then divided by six (6) to determine the amount to be declared as variable earnings.

RMA recognises that allowances that form part of the employee's remuneration vary from one employer to the next, but for purposes of this circular the types of allowances will not be specified as the list is not exhaustive. Employers are therefore urged to declare accurately and in full the employee's earnings as contemplated in section 63 of COIDA.

Note: (a) It is important to note that upon this circular taking effect, the only acceptable form of declaring earnings will be as prescribed by this circular, that is, earnings calculated over a six (6) month period to determine the employee's earnings as envisaged by section 63. The method therefore where earnings are declared by number of shifts worked over a period of six or more months is not an acceptable method of declaring earnings.

(b) All benefits claimed – Temporary Total Disablement, Permanent Disability (lump sums or pensions) must be based on earnings declared in terms of section 63.

*** Disclaimer on RMA Claims Forms, Statement of Earnings and Section 51 Templates**

The following disclaimer will appear on C-Filing, RMA claims forms, Statement of Earnings and section 51 Templates:

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"I hereby declare that the employee's earnings and banking details, at the time of the accident, are as stated above, and that I am authorised to make this declaration. Should the employee suffer any financial loss due to the incorrect declaration of earnings and/or banking details, such loss(es) will be recoverable from the employer"

(B) DECLARATION OF EARNINGS AS PRESCRIBED BY SECTION 51

In accordance with **section 51**: "If as a result of an accident an employee sustains permanent disablement and at the time of the accident the employee:

(a) was an apprentice or in the process of being trained in any trade, occupation or profession;
or

(b) was under 26 years of age,

the earnings of such employee shall be calculated on the basis of the earnings to which a recently qualified person or a person in the same occupation, trade or profession with five years more experience would have been entitled at the time of the accident, whichever calculation is more favourable to the employee.

In the case of an employee who is under the age of 26 his earnings shall be calculated on the basis of the earnings to which a person of 26 years of age would normally have been entitled if at the time of the accident '*he had been performing the same work as the employee or a person in the same occupation, trade or profession with five years more experience than the employee, whichever calculation is more favourable to the employee.*'"

A clear distinction therefore, is made between trainees/apprentices and employees under the age of 26. Thus when declaring earnings, the employer must clearly indicate that the employee concerned is a trainee/apprentice or is under the age of 26 to ensure correct adjudication for compensation purposes.

The implications of section 51

The implications of the provisions of section 51 are that in addition to declaring the **earnings of the employee under the age of 26 or the trainee employee for work performed**, the employer must separately submit the following:

1. The earnings of a recently qualified person; **and** the earnings of another employee in the same occupation, trade or profession with five years more experience.
2. The earnings of an employee of 26 years of age who at the time of the accident had been performing the same work as the injured employee; **and** the earnings of another employee in the same occupation, trade or profession with five years more experience.

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In effect two (2) sets of earnings are required **in addition** to the earnings submitted for the injured employee. The compensation payable will be calculated on the more favourable earnings, be it the earnings of:

- A recently qualified person;
- A person 26 years of age performing the same work as the injured employee; or
- An employee in the same occupation, trade or profession with five years more experience.

The earnings in terms of section 51 of COIDA must be declared in a manner as described above. To ensure compliance with this circular, RMA has developed section 51 templates for trainee apprentices and for employees under the age of 26 years respectively. These templates are attached to this circular.

Members are requested to liaise with the RMA branch responsible for their claims for any queries on how to complete the template or for any questions of clarity, on-going assistance or formal training on the use of the template.

EFFECTIVE DATE

This circular takes effect from **1 August 2016**. All accident and disease claims must, from that date onwards, be reported in the manner described above, be it earnings in terms of the provisions of section 51 (employees in training or under the age of 26) or the provisions of section 63.

GENERAL

The provisions of this circular are also applicable to RMA's other non-statutory products, namely the Commuting Journey's and the Augmentation policies.

RMA, as the administrators of compensation under COIDA, may from time to time request documentary proof to verify the correctness of earnings declared.



Ernest Hadzhi
Chairperson: Technical Committee

This circular replaces any previous instructions/circulars to the extent that it introduces amendments.

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