



## **MEDIA STATEMENT**

**ISSUED BY THE ROAD ACCIDENT FUND**

**FOR IMMEDIATE RELEASE**

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### **RAF TRANSFORMS SERVICE DELIVERY DESPITE INSOLVENCY**

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The Road Accident Fund (RAF) has steadfastly improved claims processing, expanded its footprint and brought services directly to communities' doorsteps. This is despite having to cope with a legacy plagued by complex and legalistic hurdles, spiralling costs, insufficient funding to pay claims, and long standing insolvency. A spiralling deficit of R143 billion directly related to the provision for outstanding claims on hand and still to be received, sees liabilities exceed assets by R145 billion.

Speaking after the tabling of the RAF's Annual Report in Parliament, Chief Executive Officer Dr Eugene Watson, said many positive developments had been realised during the 2015/16 financial year as every effort was put into galvanising all areas of the Fund's business. Annual Performance Plan (APP) targets were stretched by the Board and approved by the Minister of Transport and Parliament. The RAF's 2,600 member staff complement was up to the task and the Fund moved from achieving 84% of APP targets in the 2014/15 financial year to 90% in 2015/16, a far cry from the 53% in 2012 when the RAF's turn around started.

Throughout the reporting year the RAF fulfilled its mandate and ensured that its strategic objectives were achieved, while continuing the RAF's transformation into a more sustainable, customer-centric entity governed by the pursuit of excellence in performance. A complete overhaul of the system and new dispensation as proposed by the Department of Transport through the Road Accident Benefit Scheme (RABS) will address the fault-based, unfair and unsustainable system the RAF has inherited as defined by the RAF Act. RABS will see support rendered to more people who need it in a comprehensive way, while introducing minimum and maximum benefits based on needs. Public consultation on RABS, engagements with the National Treasury and the Office of the State Law Advisor, and consideration by the National Economic Development and Labour Council (NEDLAC) on the Bill have been concluded.

Highlights of the work conducted in 2015/16 include the following:

- A total of 188,864 new claims were received and 188,759 were finalised. In comparison: 173,174 claims were registered and 183,933 finalised in 2014/15; 147,168 and 240,783 respectively in 2013/14; and 150,312 and 162,130 in 2012/13. Despite an increase in new claims being received the RAF managed to attend to all of these and still reduce the balance of open and unfinalised claims slightly to 217,000 claims, with a noticeable reduction in older claims remaining open.
- During the year under review, the RAF finalised an average of 715 claims each working day of the year compared to 697 in the previous year.
- Total revenue increased by 48% to R33,2 billion from R22,7 billion in the previous financial year as a result of a 50 cent per litre increase in the RAF Fuel Levy and minimal increase in the volume of fuel sold over the previous year.
- Total expenditure for the year, excluding the increase in the provision for outstanding claims, increased by R4.3 billion to R34.2 billion (2014/15: R29.7 billion) as a result of improved productivity in claims settlements and higher claims costs.
- Claims expenditure (excluding the provision for claims incurred) of R32.3 billion accounted for 94% of total expenses, with the balance being made up of employee costs, i.e. R1.280 billion (4%) and administration and other costs, i.e. R618 million (2%).
- Effective financial management saw larger sums of money managed in an effective manner with an improvement in internal controls and unqualified audit opinion obtained.
- Of the individual claim payments/settlements made per category:
  - R1.2 billion was paid in medical costs;
  - R120 million was spent on funeral costs;
  - R6.6 billion was spent on legal and other expert costs;
  - R8.7 billion was paid in general damages – primarily to persons not seriously injured; and
  - R16.4 billion was paid for loss of earnings and support for those who qualified.
- 13,4% of overall expenditure went to legal fees, from a high of 29% five years ago. The RAF would still prefer that this money is spent on taking care of car crash victims, rehabilitation and other post-crash care expenses.
- A total of R424 million worth of fraudulent claims were identified before payment was made and 391 people were arrested with 231 convicted for fraud against the RAF.

- The caliber of RAF's corporate pedigree grew and numerous accolades were received:
  - First runner-up at the Second National Transport Recognition of Service Excellence Awards in the category 'Best Performing Institution in Transport', including first runner-up for 'Best Manager' at the same award ceremony for the RAF's Chief Audit Executive;
  - Merit award for 'Integrated Reporting' by the Chartered Secretaries Southern Africa;
  - Silver Printing SA Design award for the Integrated Annual Report 2014/15; and
  - Chief Audit Executive for the 2015 'Excellence in Internal Audit Leadership Award' at the Annual Institute for Internal Auditors Awards Ceremony held by the Institute for Internal Auditors SA.
  - Risk Management Award from the Institute of Risk Management SA in 2015.
  - In 2016, Charlene Louw, General Manager: Legal, Compliance and Regulation, won in the 'Government Category' for the Business Women's Association of SA Awards, while the RAF received the 'Leading Performer' certificate in the public sector for the 2016 Top Performing Companies.
  
- Business operations were made more accessible:
  - The RAF expanded its footprint throughout the country by opening offices at more hospitals, bringing the total of Hospital Service Centres to just over 100, including a Walk-in Centre in Beaufort West and relocation of a Customer Service Centre in Nelspruit.
  - The Call Centre responsiveness increased to 320 027 calls, a significant growth from the 286 944 of calls attended to in the previous fiscal.
  - The target for claimants engaged at road shows and at the flagship outreach campaign 'RAF on the Road' in remote areas of the country (28,750) was far exceeded with an audited figure of 36,146.
  - Furthermore, the campaign brought its services to the doorsteps of 10 more communities, assisting 11,500 claimants and settling R120 million's worth of claims.
  - There are 69,235 followers eager to keep track of what the RAF is doing over a range of RAF social media platforms, with Facebook achieving the highest number of fans at 55,738 as at the end of March 2016.

While the extra R10 billion revenue boost alleviated some of the RAF's immediate challenges, it does not solve the reality that the Fund is still short of sufficient cash to honour all finalized claims and this is exacerbated by the fact that the fuel levy remains flat at 154 c/l of fuel sold in 2016. The Fund maintained creditors worth R10 billion throughout the year in addition to all payments made. Cash flow management strategies, including regular communication with affected claimants and service providers ensures creditors receive regular and scheduled payments over the medium term.

Fruitless and wasteful expenditure of R31 million was reported, which represents 0.09% of overall expenditure with 0.05% of that amount stemming from the claim environment. This category of

expenditure arose as a result of sheriff costs and interest payments on claim costs where payment is required immediately or within 14 days of settlement regardless of the PFMA and National Treasury Regulations which require due care to be taken before payments are made.

The RAF has and continues do take due care by reviewing payments before they are made, especially those related to legal costs, and this - during the same period when the fruitless and wasteful costs were incurred - saved R1 billion as a result of the reviews which may have taken longer than the 'immediate' demand for payment but presented a real saving too large to pass up on. The Fund has realised a R1 billion saving which is almost R400 million larger than the saving realised the year before. Meanwhile, irregular expenditure reduced from R14 million to R11 million - only 0.03% of expenditure overall. In total, the number of instances of irregular expenditure reduced further to 13 from 33 in 2014/15, despite the fact that expenditure increased by R10 billion and over 230,000 payments were made.

Beyond the money, the value of the Fund's claim payments has touched lives, evidenced by the fact that over 8,414 funeral claims were paid by the RAF in the year under review (in the context of 14,000 road fatalities per annum). Reducing the frequency, severity and impact of accidents remains the Fund's highest priority, as the estimated cost of road crashes to South Africa's economy remains staggeringly high at an estimated R306 billion per annum. The RAF will continue transforming its delivery record while ensuring those who have been injured or lost loved ones in motor vehicle accidents are cared for.

We reaffirm our commitment to being the country's social security safety net by covering, compensating and rehabilitating those who are maimed on SA's roads.

**Issued by the Road Accident Fund's Media and Public Relations Unit**

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