

DEPARTMENT OF TRANSPORT

STRATEGY FOR THE REPOSITIONING OF THE ROAD ACCIDENT FUND: INCORPORATING THE CURRENT SYSTEM INTO THE SOCIAL SECURITY SYSTEM



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Purpose of the presentation

- To give feedback on the progress of mechanisms identified to address inefficiencies in the management and administration of the Road Accident Fund
- To outline the Phases identified to address the policy shift to position the RAF within the policy environment

History

The RAF is the product of a long history spanning more than sixty years with continuous legislative changes and various commissions to address concerns regarding the system of compensation

- ✓ **Motor Vehicle Assurance Act 29 of 1942**
 - ✓ **Compulsory Motor Vehicle Insurance Act 56 of 1972**
 - ✓ **Motor Vehicle accident Act 84 of 1986**
 - ✓ **Multilateral Motor Vehicle Accident Fund Act 93**
 - ✓ **Road Accident Fund Act 56 of 1996**
 - ✓ **Road Accident Fund Amendment Act, 2005 (Act No. 19 of 2005)**
- The current compensation system was introduced in 1940, serving to protect both the victim and wrongdoer by standing in for the wrongdoer and compensating the victim.
 - Perception of poor customer service, poor administration, mismanagement & unsustainability of the current system .

Current Situation: Road Safety in South Africa

- Growth in vehicle population:
 - ✓ the number of registered vehicles are increasing by about 6% annually.
- Growth in road accidents:
 - ✓ The number of fatal crashes per 100 million vehicle kilometers traveled increased from 6.2. in 1998 to 8.79 in 2002 and 8.63 in 2004.
- Road accident injuries:
 - ✓ In 2005 14 124 people died on South Africa's roads, nearly half of these being pedestrians.

Problem Statement

- Unsustainable system of compensation:
 - ✓ Claims against the Fund is increasing at a greater rate than increases in road accident casualties.
- Inequitable system of compensation:
 - ✓ The liability insurance system has led to inequalities in the provision of support to those unable to look after themselves due to injuries sustained.
 - ✓ The outcome of the fault-based system perpetuate disparities between the rich and the poor, the rural and urban victims, the employed and the unemployed.
 - ✓ The current system is fraught with discrimination, as those in the second economy find it difficult, if not impossible , to prove losses suffered.

Continued: Problem Statement

- Unreasonable system of compensation:
 - ✓ Compensation is skewed towards those able to prove damages; those injured slightly and towards non-economic losses.

Continued: Problem Statement

- Unaffordable system of compensation:
 - ✓ The combination of unlimited claims and the growth in settlement cost is limiting the Funds ability to meet its mandate in providing compensation to victims of road accidents.
- Extent of the problem justifies a targeted approach towards victims whose lives and livelihoods are threatened due to the impact of a vehicle accident.

Strategic Direction

- Critical that a policy decision is made on the Fund and Government's role in ensuring the viability of the system of benefits for road accident victims.
- If no investment is made to sustain the system, the regrettable option will be to close the Fund.
- Implication: drivers / owners of vehicles will absorb financial risk.

Strategic Direction

- Policy Shift from Fault to No-Fault System of Benefit aligned to the Comprehensive Social Security System.
- Address Corporate Governance Issues
- Restructuring & Repositioning of the RAF

Policy Decision: System

- Broadly speaking there are two types of systems:
 - ✓ **Fault based system**, which provides liability insurance for those injured due to the wrongful driving of another and take full liability for all economic and other losses.
 - ✓ **No fault system** on the other hand provides limited benefits to all injured victims without taking into consideration the causes of the injury.
- **In developing a system for South Africa** it is critical to understand the specifics of the South African road accident situation and the problems related to the current fault-based liability insurance systems.