

18 October 2019

Dear Road Accident Fund Stakeholder

**CRITICAL RAF PAYMENT INFORMATION AND PLANNED PAYMENT EXECUTION IN
ANTICIPATION OF THE DECEMBER HOLIDAY PERIOD**

Current Financial Status

1. INCOME STATEMENT FOR THE PAST FIVE YEARS

	Year ended 31 March	2019	2018	2017	2016	2015
		Rm	Rm	Rm	Rm	Rm
1.	REVENUE	43 239	37 341	33 342	33 206	22 680
1.1	Net fuel levy	43 139	37 251	33 230	33 113	22 614
1.2	Investment income	99	90	109	93	65
1.3	Reinsurance income	-	-	1	-	1
1.4	Other income	1	-	2	-	3
2.	EXPENDITURE	(99 019)	(63 692)	(68 083)	(68 158)	(42 132)
2.1	Claims expenditure	(96 405)	(61 346)	(65 955)	(66 268)	(40 456)
2.2	Employee costs	(1 735)	(1 605)	(1 435)	(1 272)	(1 164)
2.3	General expenses	(515)	(454)	(420)	(399)	(375)
2.4	Reinsurance premiums	(22)	(22)	(22)	(23)	(23)
2.5	Depreciation and amortization	(51)	(41)	(43)	(46)	(45)
2.6	Finance costs	(291)	(224)	(209)	(151)	(67)
3.	DEFICIT FOR THE YEAR	(55 780)	(26 351)	(34 742)	(34 958)	(19 52)



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Board Members: Dr Matsontso Mathebula (Chairperson), Ms Koko Mashigo (Vice-Chairperson), Dr Fanie Bale, Ms Dineo Molefe, Dr Nomonde Mabuya-Moloele, Mr Khotso Mothobi, Mr Moses Nyama, Dr Maria Peenze, Dr Mohamed Fazel Randera, Mr Thulani Tshabalala, Ms Constance Maleho (Director General's Representative)

2. BALANCE SHEET FOR THE PAST FIVE YEARS

	Year ended 31 March	2019	2018	2017	2016	2015
		Rm	Rm	Rm	Rm	Rm
1.	ASSETS					
1.1	Current assets	10 947	9 563	8 982	9 569	7 085
1.2	Non-current assets	273	243	216	227	282
	Total Assets	11 220	9 806	9 198	9 796	7 367
2.	LIABILITIES	273 334	216 147	189 191	155 048	117 614
2.1	Current liabilities	41 981	39 045	35 299	47 486	35 586
2.2	Non-current liabilities	231 354	177 102	153 892	107 562	82 028
3.	RESERVES	(262 115)	(206 341)	(179 993)	(145 252)	(110 247)
3.1	Revaluation reserve	93	88	84	83	130
3.2	Accumulated deficit	(262 208)	(206 429)	(180 077)	(145 335)	(110 377)
		11 220	9 806	9 198	9 796	7 367

3. BREAKDOWN OF OUTSTANDING CLAIMS LIABILITY

	For the period ended 31 March	2019	2018	2017	2016	2015
		Rm	Rm	Rm	Rm	Rm
1	Claims requested but not yet paid (RNYP)	11 232	9 061	8 516	10 636	6 940
2	Claims reported but not yet settled (RNYS)	173 559	139 204	119 830	99 152	78 491
3	Incurred but not yet reported (IBNR)	87 124	67 013	59 633	44 182	30 807
	Total outstanding claims liability	271 915	215 278	187 979	153 970	116 238

Current Cash Management Status

At the time of writing, a view of the cash status of the RAF is as follows:

1. The recent fuel levy received has been lower than expected, due to larger diesel rebates claimed. Month on month we have seen a drop in revenue of 4%-6%. The RAF received an average of R3.4billion fuel levy revenue per month for the quarter ending 30 September 2019.
2. The rate at which claims are settled is growing from month to month at approx. 6%-10%, causing the value of claims requested but not yet paid to be significantly higher than in previous years. An average of R4.3 billion claims per month was settled for the quarter ending 30 September 2019.

3. The gap between revenue and expenditure as indicated in points 1 and 2 above has resulted in a net growth of the RNYP outstanding balance R900 million per month in the quarter ending 30 September 2019.
4. Represented claims account for approx. 94% of our total Requested Not Yet Paid Balance. In the months where the RAF receives a higher fuel levy income, we have been able to pay represented claims when they reach 120-150 days in ageing.
5. Those months where the fuel levy is lower than our average projection, the RAF has resorted to paying claims when they reach 180 days, as communicated in previous years
6. In recent months, in our attempt to cover the backlog of payments, our available funds are being depleted almost 2 weeks after receipt of the fuel levy. The implied effect is that we are unable to do frequent payment runs as in the past
7. In our effort to lower costs and ensure that more funds are available to pay claims, we strongly discourage the issuing of Writs and rather encourage direct engagement with the RAF in committing to payment dates and terms
8. The Treasury dedicated email addresses remain active to facilitate the ongoing engagement between RAF and its claims stakeholders. The email addresses are as follows:

Dedicated In-boxes	Email Addresses	Turnaround time
Panel Attorneys	panelattorneypaymentqueries@raf.co.za	2 business days
Direct Claims	Directclaimantpaymentqueries@raf.co.za	2 business days
Assessors	assessorspaymentqueries@raf.co.za	2 business days
Caregivers	caregiverspaymentqueries@raf.co.za	2 business days
Undertakings	undertakingpaymentqueries@raf.co.za	2 business days
Medical Experts	medicalexpertspaymentqueries@raf.co.za	3 business Days
Funeral Parlours	Funeralparlourpaymentqueries@raf.co.za	2 business days
Actuaries	actuarypaymentqueries@raf.co.za	2 business days
Plaintiff Attorneys	PlaintiffattorneyPaymentQueries@raf.co.za	4 business Days

As we enter the last quarter of the 2019 calendar year and the pressure is mounting on all to finalise matters and secure payment, it is necessary to share with you the planning in anticipation of the December holiday period.

For the month of December 2019, please note the following:

1. The RAF will close on 20 December 2019 at mid-day.
2. Final large payment runs will take place on 18 December 2019.
3. Payment commitments for the last week of December 2019 will be carried forward to the first week of January 2020.
4. Payments will resume on 2 January 2020 when we re-open, but probably really return to more normal levels only from 6 January 2020.
5. We have, as in the past, endeavoured to make as many payments as possible and will finalise our cash flow forecast for January 2020 in the week ending 20 December 2019.

6. We will, as before, maintain only a minimum balance as at the 24th of a month. (In previous years this balance was as low as R20m.)
7. Note that no matter how much pressure is applied to the RAF or the Sheriff, if the available funds have been exhausted then there is nothing more that can be done.

Practical Engagement Notes

Below follows the by now familiar useful notes when engaging with the RAF Treasury Department, but we continue to include it as we often still need to refer service providers and claimants to these notes:

1. The payment days referred to are calculated from the date an item was requested for payment by the Region, NOT when it was settled (settlement dates are not captured on our system). This allows us to do cash flow forecasting and practise cash management.
2. There are dedicated e-mail addresses that oversee the items requested for payment. In this regard, please note the following for ease of engagement:
 - 2.1 Please include the name of your organisation and the RAF link or reference number in question as the subject line on your correspondence.
 - 2.2 Note the turnaround times for response.
 - 2.3 Consolidate your enquiries in one correspondence.
 - 2.4 The individuals overseeing these e-mail addresses will not accept phone calls or engage with you personally.
3. Please do not contact the RAF Treasury Department on their personal cell phones or social media platforms. They are not permitted to accept phone calls after hours or respond to communication via any other platform, except via a RAF e-mail address, or the RAF official website, or official social media platforms.
4. For items NOT yet requested for payment you need to engage with the relevant Region's Claims Department. In this regard, please refer to our website for the contact details of the Regional Offices.
5. Please ensure that you allow a couple of days between the payment commitment by the RAF and that which you commit to your client.
6. The confidentiality of the payment information shared needs to be borne in mind constantly to ensure the safety of our claimants.
7. Please note that once a writ has been issued on a matter, the original payment request is cancelled and it is re-requested against the Sheriff. The RAF does not determine the priorities of the Sheriff and you need to engage directly with the Sheriff both in terms of when payment to the Sheriff is expected, as well as when you can expect payment from the Sheriff.
8. A remittance advice in terms of these payments is submitted to the Sheriff and should be obtained from such Sheriff. Once payment is made to the Sheriff, the RAF has adhered to its legal

obligations and is no longer accountable for any amounts. The relationship then becomes one between yourself and the Sheriff's Office.

9. We are aware that many of you experience frustrations with the process to capture settled claims for payment and we are aware of our shortcomings in this regard that need to be attended to. Please continue engaging with the relevant Region. The importance of establishing a relationship with the Regions cannot be emphasised enough.
10. The Treasury and Operations staff must be engaged professionally. Abusive and disrespectful correspondence is not appreciated.

Payment Days

Please be reminded that the payment days we currently endeavour to honour are not more than 180 days from the date of request for payment. Claims will be paid from the oldest to the newest in order to keep the ageing more current.

Warrants of Execution, Notices of Motion for the Liquidation of the RAF, Notices of Sale of Execution, Applications for Contempt of Court and Threats of Arrest of the CEO and Other Officials

The legal rights of claimants are not disputed by the RAF, but, ultimately, when all funds have been exhausted then none of the above measures will ensure payment. In fact it only results in the matters of a few firms receiving preference, as a consequence of this aggressive and exploitative approach, at the expense of thousands of others with similar merits that inevitably are prejudiced due to the fact that they have been prepared to engage towards a constructive outcome with the RAF.

The following trends have been observed during the course of the past year:

1. Plaintiff firms, despite efforts to engage via dedicated communication channels, with proposals for affordable payment plans within our available cash and distribution of such available cash based on the principles of equitable and fair allocation, have continued to issue large numbers of writs. Unfortunately, given the material disruption these firms cause to the RAF (operationally and as far as cash flow management are concerned) and the magnitude of the pressure they apply to the Sheriff, payments to a few firms take place, contrary to what is equitable in terms of our available cash. This comes at the expense of many medium- sized and small firms that could have benefitted from an equitable distribution of funds.
2. A number of firms persist with the actions above despite having engaged with the RAF and having committed payment dates.
3. Applications for the liquidation or sequestration of the RAF are a waste of time and money of all involved, as the RAF is governed by its own founding legislation and not the Companies Act.

4. Of course, these actions also come at a cost – an unnecessary cost that could have been used to settle more claims.

In Conclusion

Despite ongoing engagements with the relevant authorities, we have no reason to believe that a five-cent increase in the fuel levy from April 2019 has had any significant relief on our claimant liability that remains at **five times** the level of monthly revenue received.

The RAF concludes the 2019 calendar year having continued to navigate our aggressive external environment to the best of its ability with the ultimate goal of ensuring that the interest of thousands of claimants are given due priority, and continuing to receive acknowledgement for exceptional service delivery and excellence.

Appreciation is expressed to the many firms that support the RAF and strive to engage constructively with the Fund under undeniably very difficult circumstances.

May you and your family enjoy peace, prosperity and safety as we approach the festive season.

Yours sincerely,



Victor Songelwa

Acting Chief Financial Officer