**National Assembly**

**Question No. 2001**

**2001. Mr C H H Hunsinger (DA) to ask the Minister of Transport:**

(1) Does the Road Accident Fund (RAF) make use of external organisations to process claims; if so, what (a) are the names of the organisations, (b) is the extent of their involvement, (c) is the basis of the contractual agreement(s) in terms of functional role and scope, (d) is the duration of agreement(s) and (e) are the terms of contract(s) value; if not,

(2) did the RAF enter into the specified agreements with the external organisations in the past five financial years; if so, (a) what is the name of each organisation, (b) what services did each organisation provide and (c) for how much? NW2216E

**REPLY**

(1) The RAF does not currently make use of external organisations to process claims; therefore questions (a), (b), (c), (d) and (e) are not applicable, however,

(2) The Road Accident Fund Act, No. 56 of 1996 (the Act) provides in section 8 for the appointment by the Board of agents to investigate and settle claims contemplated in section 17(1) of the Act (identified claims), similar to comparable sections contained in the Act’s predecessors. However, an appointment made under section 8 of the Act would constitute a public private partnership (PPP) under Treasury Regulation 16, where the full RAF function is outsourced. Considering the technicalities, timing and cost associated with PPPs the RAF Board elected instead to insource administrative capacity to assist the RAF to process the backlog of claims. Service providers were appointed following a compliant supply chain management process in respect of an open tender (RAF/2013/00027) advertised in the Government Tender Bulletin on 8 August 2013. The contracts commenced on 9 January 2014 and expired on 8 January 2017. Importantly, throughout the appointments the RAF remained responsible to approve the final settlement mandate in respect of the claims administered by the service providers, (a) the RAF appointed the following service providers (i) Ernst & Young Consortium [comprising of Ernst & Young Advisory Services (Pty) Ltd and A2A Kopano Incorporated and Alexander Forbes Compensation Technologies (Pty) Ltd (who subsequently left the consortium)] and (ii) Medscheme Holdings (Pty) Ltd, (b) to assist the RAF with the validation and verification of claim information; investigation and assessment of merits; investigation and assessment of medical records and reports relating to injuries sustained by claimants; investigation and assessment of quantum; negotiation of settlements based on approved mandates by the RAF; dealing with all litigation arising on a specific matter after instruction; keeping accurate records and reporting timeously; and communicating with claimants, attorneys and the RAF, (c) for the amounts as set out in the table below:

|  |
| --- |
| **COSTS INCURRED – SERVICE PROVIDER INVOICES** |
| **Number** | **Description** | **Ernst & Young Consortium** | **Medscheme** | **Total** |
| 1 | Paid invoices | R116,288,436  | R184,175,692  | R300,464,128  |
| 2  | Outstanding invoices | R5,293,672  | R2,856,544  | R8,150,216  |
| ***Total invoices received*** | R121,582,108  | R187,032,236  | R308,614,344  |
|  |
| 3 | # Quotation for withheld reports | R22,365,349  | R12,815,390  | R35,180,739  |
| ***Total*** | R143,947,457  | R199,847,626  |  R343,795,083  |
| **# Note:** Theservice providers incurred expenditure in obtaining expert reports and other information and, or documentation prior to termination of the contracts. The service providers requested re-imbursement for such expenditure and withheld the reports, subject to reimbursement. The contracts did not make provision for reimbursement for such expenditure. Approval by National Treasury, subject to certain conditions, has been obtained for the RAF to pay for additional reports. Re-imbursement is also subject to Board approval. The process to obtain Board approval has commenced. |