

## EXAMPLES OF FUNDING ROAD SAFETY

### *Taken from the ADB Road Safety Guidelines for the Asian and Pacific Region*

#### a) *State of Victoria, Australia*

In the early 1980s, compulsory third party injury insurance was provided by a number of commercial companies in Victoria. All of the insurers were losing money, premiums were rising constantly, and no attention was being given to accident reduction and rehabilitation of victims.

In 1985 Government legislated to create Transport Accident Corporation (TAC). In 1987 the TAC came into being with broadly the following functions:

- 1) to take over all outstanding road accident personal injury claims;
- 2) to contain the spiralling costs;
- 3) to provide a “no fault” scheme;
- 4) to invest in road safety to reduce trauma; and
- 5) to actively rehabilitate the injured.

TAC is required by law to invest in accident reduction programs as well as injury rehabilitation programs. In 1992/93 it invested US\$56.65 million into road safety programs, which was about 10 percent of premiums, and has stated, in its annual report for that year, that the investment made a significant contribution to its profitability by the accident reductions achieved, leading to reduced claims. The TAC management saw investment in road safety as a good business decision to reduce overheads and hence improve profits.

The TAC *1992/93 Annual Report* stated that since 1989, its savings in reduced accident claims amount to US\$210 million, which is in excess of the amount it had invested in road accident programs over the same period. It is estimated that TAC's investment in road safety programs for those years was about US\$10.7 million a year on television, radio, and newspaper promotions, and up to US\$7.7 million a year on road accident medical emergency services.

In 1992/93 it invested in the following programs:

<b><i>Program</i></b>	<b><i>Amount (US\$ million)</i></b>
<i>Media promotion and community awareness</i>	10.7
<i>Police breath test and speed camera</i>	5.6
<i>School traffic safety education</i>	5.8
<i>Research</i>	0.5
<i>Accident black spot programs (approx.)</i>	27.0
<i>Road trauma center</i>	7.0
<b><i>TOTAL</i></b>	<b>56.6</b>

In 1992/93, TAC operations were reviewed by international management specialists, who reported that TAC compared favorably with private insurers in the major elements of business.

The cost of insurance cover provided by TAC is US\$200 a year for a passenger car, which compares favorably with costs in other states of Australia.

**b) *Fiji***

In Fiji, motor insurance is provided by only five or six insurance companies. Amounts that can be charged for third party insurance are controlled and have to be approved by the Commissioner of Insurance. Companies engaging in motor insurance business have to present information annually to the Commissioner on premiums received, policies issued, and claims paid. Whenever any requests are made for third party insurance premiums to be increased, discussions are held between the insurance underwriters and the Commissioner to agree any changes. The Commissioner's role is to regulate the industry and to look after the public interest.

In 1992, as part of efforts to establish an NRSC, discussions were held with the insurance industry and Commissioner of Insurance. Agreement was reached that as part of the next review of premiums, a "voluntary" levy of about 10 percent of third party motor insurance premiums would be passed over to the proposed NRSC.

The Fiji NRSC, once established, therefore had a steady stream of income (paid quarterly into the NRSC account by each insurance company depending upon the number of third party motor insurance premiums received). The insurance companies have been permitted to have a representative on the NRSC and in this case, that person actually is chairman of the NRSC finance subcommittee.

The income from the insurance companies provides about 60 percent of NRSC annual income, with a further 10 percent being received from government (via services and facilities provided to NRSC headquarters). A further 30 percent is raised by the NRSC from commercial sponsorship (vehicle dealers, oil companies, and banks) and from fund raising.

This solution thus provides a guaranteed and growing (because funds increase in line with the increase in numbers of vehicles) source of funds for NRSC activity while still requiring the NRSC to actively seek further funding or sponsorship from the commercial sector. This reduces reliance on government grants or funding, which can, in some countries, be erratic and unreliable.

All parties involved benefit from the arrangement and it becomes in everyone's interest to ensure all motorists have at least third party insurance. The NRSC is able to carry out effective safety initiatives and interventions, which in association with other activities undertaken as part of the ADB/World Bank funded Road Safety Action Plan, had by mid April resulted in a reduction in road accidents deaths of more than 23 percent against deaths in 1991, the year immediately before the Road Safety Action Plan commenced.

**c) *Finland***

A road safety tax has been levied on compulsory vehicle insurance for about 40 years. At about 1 percent of premiums, the tax raises US\$ 8 million per year. The fund is used to finance the main government organisation working in the field of public education, road user information and road safety promotion.

*d) Canada*

In 1977, the Province of Quebec in Canada adopted a nationalised, compulsory, civil liability insurance scheme using “no fault” principles. The insurer is required to provide driver training and public information campaigns on accident prevention. There has been an improvement in driver behaviour, with higher seat belt rates and a fall in accident deaths, which are attributed to the insurers’ road safety work.